February 1950

The CREDIT WORLD

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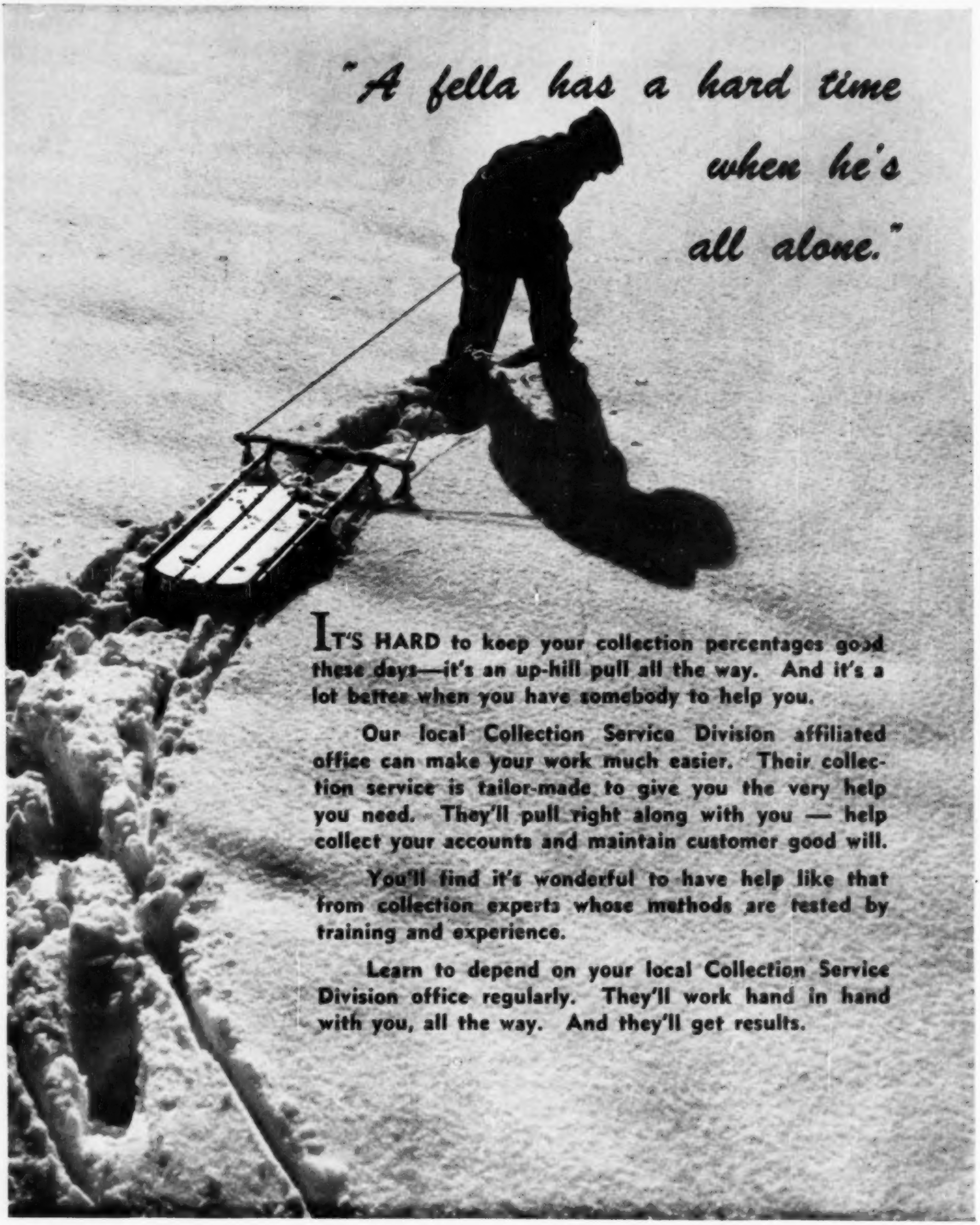
Is the Most Important Credit Problem for 1950?

See Pages 16-18



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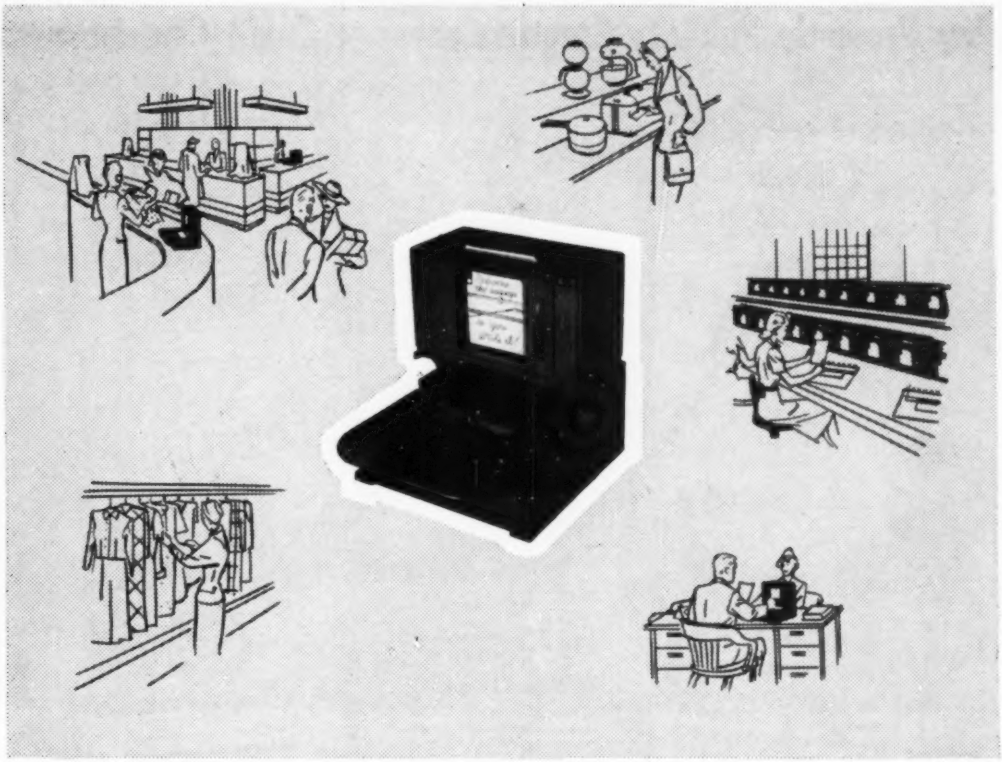

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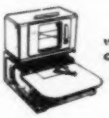

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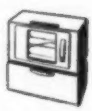

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A Study of Instalment Credit Terms[1]

Milton Moss, Division of Research and Statistics, Federal Reserve Board

BEFORE FEDERAL REGULATION of instalment buying expired on June 30, 1949, valuable data on terms of actual contracts were obtained as a by-product of the regular enforcement procedure. These data throw considerable light on the pattern of down payments and maturities on instalment sales of various commodities, and also provide interesting perspective on the operation of consumer credit regulation in a period when inflationary tendencies were becoming less pronounced.

Data for this study cover instalment contracts negotiated from September 20, 1948, through June 30, 1949, the period of renewed regulation authorized by Congress in August, 1948. This period was unique in the history of Federal regulation of consumer credit. From the beginning of regulation in the fall of 1941 throughout the war and most of the postwar period the Board of Governors exercised its authority under Regulation W to dampen inflationary tendencies. Relatively stringent down-payment terms (typically one-third) and maturity requirements (typically 15 months) helped to restrain the volume of instalment credit creation and to keep it from adding excessively to purchasing power. In the early part of 1949 the need for inflationary safeguards became less important and consumer credit regulation had to be considered from the standpoint of possible deflationary developments.

This study examines the pattern of down payments and maturities that developed during the first half of 1949, largely as a consequence of the successive relaxations of Regulation W on March 7 and April 27. In order to determine the changes in actual terms which followed these amendments, instalment contracts were sampled to represent the following three intervals: September 20, 1948-March 6, 1949; March 7-April 26; and April 27-June 30.[2]

The commodities reviewed were all subject to Regulation W and included new and used automobiles, mechanical refrigerators, automatic washing machines, television sets, and console radios. These higher priced types of consumer durable goods were selected because most of the lower priced items were removed from control when the exemption limit was raised on April 27 from $50 to $100.

Some of the conclusions of the study are summarized briefly below:

1. Relaxations of Regulation W were followed by a substantial easing of actual terms, which probably contributed materially to high-level sales of automobiles and other durable goods during the second and third quarters of this year.

2. Despite the easing of terms, however, a large proportion of instalment contracts specified terms much stricter than required by Regulation W. In part this reflected the strong financial position of instalment buyers during the period under review. It also emphasized the point that, within the limits set by the regulation, retailers and lenders had discretion to offer terms that in their judgment were reasonable and in line with sound business principles.

3. Credit terms varied widely by commodity, particularly with respect to maturities. After the relaxations of Regulation W, terms tended to go much further toward the permissible limits for new passenger cars and refrigerators than for used automobiles and radios. Evidently considerations such as durability and resale value were among the factors which prevented terms in most cases from going to the limits permitted by the regulation.

4. Considerable variation in credit terms among Federal Reserve districts was also evident. It is difficult to assess the significance of this variation, however. The period studied was relatively short, and part of the divergence among districts may have disappeared after June 30, as relaxation of terms became more widespread.

5. Instalment credit terms have been further eased since Federal regulation was discontinued on June 30. The most favorable down-payment and maturity terms now prevailing are more lenient than the limits set by Regulation W. Although it is probable that the majority of borrowers do not receive the most liberal terms, the tendency seems to be toward progressively easier terms for all borrowers.

Changes in the distribution of actual contract terms following relaxation of requirements under Regulation W are summarized in Table 1.[3] This table indicates that most contracts in the periods under study specified less lenient terms than those permitted by the regulation. At the same time, each easing of the regulation was followed by a marked general relaxation.

The large proportion of contracts with maturity terms more stringent than the permissible limits is evident for every commodity, both before and after each amendment to the regulation. In the period from September 20, 1948, to March 6, 1949, when the legal limit for repayment was 15-18 months, a significant proportion of the contracts for each commodity specified maturities shorter

[1]Acknowledgment is extended to the Regulation W departments of the Federal Reserve Banks for making the basic data for this article available. These data were obtained by the Reserve Banks in the course of their regular review of instalment contracts subject to Regulation W. Responsibility for initiating the investigation was shared by Dale M. Lewis, formerly with the Board's Division of Bank Operations and now with the Federal Reserve Bank of St. Louis, and Francis R. Pawley, Clarke L. Fauver, and Milton Moss of the Board's Division of Research and Statistics.

[2]It is believed that the sample of instalment sales contracts drawn for this study is representative of transactions negotiated during the various periods, although it was not designed to produce a precise cross section in the sense of strict sampling procedure. The contracts obtained depended on the particular retailers and lenders visited by the Federal Reserve Bank staff.

[3]Effective March 7, 1949, maximum maturities prescribed by Regulation W were extended to 21 months from 15 months in the case of credits of $1,000 or less and from 18 months for those of more than $1,000. Minimum down payments on articles other than automobiles were lowered to 15 per cent from the previous minimum of 20 per cent. The April 27 amendment increased the maximum maturity on all regulated articles to 24 months and reduced the minimum down payment on articles other than automobiles to 10 per cent. The 33⅓ per cent down payment for automobiles was retained throughout the period of Regulation W. All articles priced at less than $100 were exempted by the April 27 amendment, whereas prior to that date the exemption limit was $50.

than the legal maximum. Contracts with maturities of 12 months or less, for example, accounted for at least 31 per cent of new car sales, and as much as 64 per cent of sales of console radios. In each of the two ensuing periods, namely March 7-April 26 when 21 months to pay was the legal maximum and April 27-June 30 when the 24-month maximum was in effect, the bulk of contracts for each commodity carried maturities shorter than the legal limit.

A similar pattern is evident for down payments. As shown in Table 1, the bulk of contracts for each commodity, after each relaxation, specified initial equities in excess of the minimum amounts required by regulation. Thus, within the regulatory limits, a substantial amount of discretion was exercised by lenders and retailers in setting instalment contract down payments and maturities.

Notwithstanding the general tendency for the bulk of credit to specify terms less lenient than the permissible limits, it is nevertheless important to emphasize the fact that there was a substantial relaxation of credit terms during the first half of 1949. A quantitative appraisal of the general relaxation which took place in the periods of this study can be made by an analysis of the changes in the percentage of contracts at or near the regulatory limits.

This can be done by first bearing in mind that the easing of credit terms which took place during the first half of 1949 conceivably could have affected two groups of potential instalment buyers. One group may have consisted of those who could have bought on terms in effect prior to the relaxations but who nevertheless wished to take advantage of the most lenient terms available. On the other hand, some people who were unable to meet the terms in effect prior to the relaxations may have been brought into the market by the easing of terms. In so far as relaxations of credit terms affected only the first group, the proportion of contracts at or near the regulatory limits should not have changed significantly. But to the extent that easing of terms affected the second group as well as the first, the proportion of contracts specifying lenient terms should have increased.

Table 1 shows that after each amendment to Regulation W there were significant increases in the proportion of contracts at or near the most lenient permissible term limits, implying that the relaxation of down payments and maturity requirements widened the market in addition to enabling a given group of buyers to take advantage of easier terms.

An examination of data on new car contracts, as shown in Table 1, provides a specific illustration of the significance of the changes occurring during the period under review.

The important point in analysis of this table is to assess the changes in the proportion of contracts at or near the regulatory limit. In comparing the distribution of contract maturities before and after each of the amendments it is necessary to refer to the class intervals which included the earlier as well as the amended term limits. Thus, with respect to new automobiles, in comparing the March 7-April 26 period with the pre-March 7 period we note that the percentage of contracts specifying 13 months or more rose from 69 to 78. In comparing the March 7-April 26 and the April 27-June 30 periods, the proper comparison must refer to contracts with maturities of 19 months or longer; the percentage of contracts with such maturities rose from 49 to 58 per cent. After each amendment, therefore, there was a significant increase in the percentage of contracts at or near the maximum repayment period.

Data in Table 1 for commodities other than automobiles likewise reveal a marked increase after each amendment in the percentage of contracts specifying the most liberable terms allowable.

The degree of actual relaxation of terms differed for the various commodities. Increases in the percentage of long-term contracts were more evident in credit sales of new automobiles and refrigerators, somewhat less marked for used cars and console radios. Down payments were eased considerably on contracts for commodities other than automobiles. They changed little on automobile transactions, largely as a result of the retention of the one-third requirement throughout the period of Regulation W. Smaller down payments after relaxations of Regulation W were more frequent in the case of refrigerators and washing machines than for console radios and television sets.

Many factors account for the variation in terms among the different commodities. A more detailed discussion of such factors follows in connection with an analysis of data for the April 27-June 30 period.

The period after the April 27 relaxation of Regulation W provides an excellent opportunity to study forces at work in setting the terms available on instalment buying of various commodities. In the first place, a wider range of variation became possible because of the extension of

regulatory limits: maximum maturities were permitted to go to 24 months, and required down payments were lowered to 10 per cent on all commodities except automobiles. Secondly, differences in strength of demand for various commodities were probably more pronounced during these months than during most of the postwar period. In consequence, a commodity comparison of credit terms during the April 27-June 30 interval is especially appropriate.

One of the patterns observed on contracts analyzed in this period is the variation in maturities, despite the fact that the 24-month regulatory maximum applied uniformly to all the articles studied. According to the chart, for example, instalment sales of new automobiles carried an

TABLE 1

INSTALMENT CONTRACTS DURING THREE PERIODS OF REGULATION, BY MATURITY AND DOWN PAYMENT

[Percentage distribution of contracts]

New Automobiles

Maturity (in months) and down payment (as percentage of selling price)	Sept. 20, 1948-Mar. 6, 1949	Mar. 7-Apr. 26, 1949	Apr. 27-June 30, 1949
Maturity under contract:			
12 or less	31.0	22.2	19.9
13-18	68.9	28.8	22.5
19-23	0.1	48.8	11.1
24	0.0	0.2	46.5
Total	100.0	100.0	100.0
Average maturity	15.3	17.4	19.6
Regulation W maximum	[1] 15-18	21	24
Down payment under contract:			
33⅓	26.0	24.6	28.0
34-39	19.8	19.8	21.2
40-49	17.1	18.4	17.4
50 or over	37.1	37.2	33.4
Total	100.0	100.0	100.0
Average down payment	45.9	46.1	45.0
Regulation W minimum	33.3	33.3	33.3
Number of contracts[2]	9,501	9,400	15,451

Used Automobiles

Maturity (in months) and down payment (as percentage of selling price)	Sept. 20, 1948-Mar. 6, 1949	Mar. 7-Apr. 26, 1949	Apr. 27-June 30, 1949
Maturity under contract:			
12 or less	49.4	40.9	43.3
13-18	50.5	39.1	35.3
19-23	0.1	19.9	8.5
24	0.0	0.1	12.9
Total	100.0	100.0	100.0
Average maturity	13.3	14.6	15.2
Regulation W maximum	[1] 15-18	21	24
Down payment under contract:			
33⅓	30.5	32.6	34.0
34-39	27.0	29.0	29.0
40-49	19.9	18.9	19.2
50 or over	22.6	19.5	17.8
Total	100.0	100.0	100.0
Average down payment	42.7	41.8	41.4
Regulation W minimum	33.3	33.3	33.3
Number of contracts[2]	15,364	17,004	26,487

Mechanical Refrigerators

Maturity (in months) and down payment (as percentage of selling price)	Sept. 20, 1948-Mar. 6, 1949	Mar. 7-Apr. 26, 1949	Apr. 27-June 30, 1949
Maturity under contract:			
12 or less	45.0	30.8	25.5
13-18	54.8	33.9	24.4
19-23	0.2	35.1	15.2
24	0.0	0.2	34.9
Total	100.0	100.0	100.0
Average maturity	12.8	15.2	17.8
Regulation W maximum	[1] 15-18	21	24
Down payment under contract:[3]			
10-12	0.3	0.8	36.9
13-17	0.6	38.0	20.8
18-22	53.8	28.6	18.0
23 or over	45.3	32.6	24.3
Total	100.0	100.0	100.0
Average down payment	22.8	20.1	16.7
Regulation W minimum	20	15	10
Number of contracts[2]	6,961	8,068	16,788

Automatic Washing Machines

Maturity (in months) and down payment (as percentage of selling price)	Sept. 20, 1948-Mar. 6, 1949	Mar. 7-Apr. 26, 1949	Apr. 27-June 30, 1949
Maturity under contract:			
12 or less	58.1	43.9	39.6
13-18	41.8	33.0	26.8
19-23	0.1	23.1	12.3
24	0.0	0.0	21.3
Total	100.0	100.0	100.0
Average maturity	12.1	14.0	15.7
Regulation W maximum	[1] 15-18	21	24
Down payment under contract:[3]			
10-12	0.2	0.7	34.3
13-17	0.9	37.6	21.2
18-22	56.2	30.9	21.7
23 or over	42.7	30.8	22.8
Total	100.0	100.0	100.0
Average down payment	22.7	20.0	16.8
Regulation W minimum	20	15	10
Number of contracts[2]	4,407	3,750	6,047

Television Sets

Maturity (in months) and down payment (as percentage of selling price)	Sept. 20, 1948-Mar. 6, 1949	Mar. 7-Apr. 26, 1949	Apr. 27-June 30, 1949
Maturity under contract:			
12 or less	43.4	31.9	25.7
13-18	55.8	42.2	29.9
19-23	0.6	25.7	18.1
24	0.2	0.2	26.3
Total	100.0	100.0	100.0
Average maturity	12.8	14.7	17.2
Regulation W maximum	[1] 15-18	21	24
Down payment under contract:[3]			
10-12	0.0	0.4	19.1
13-17	2.0	22.5	23.9
18-22	47.9	34.8	22.4
23 or over	50.1	42.3	34.6
Total	100.0	100.0	100.0
Average down payment	23.0	21.2	18.7
Regulation W minimum	20	15	10
Number of contracts[2]	2,905	2,641	3,859

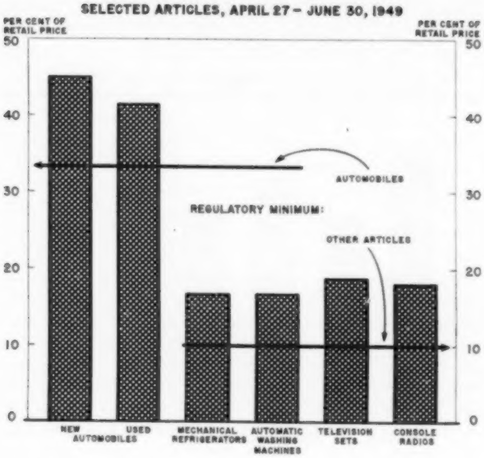
Console Radios

Maturity (in months) and down payment (as percentage of selling price)	Sept. 20, 1948-Mar. 6, 1949	Mar. 7-Apr. 26, 1949	Apr. 27-June 30, 1949
Maturity under contract:			
12 or less	63.9	55.3	48.2
13-18	36.0	30.5	28.0
19-23	0.1	14.2	9.6
24	0.0	0.0	14.2
Total	100.0	100.0	100.0
Average maturity	11.8	12.9	14.4
Regulation W maximum	[1] 15-18	21	24
Down payment under contract:[3]			
10-12	0.4	0.4	28.7
13-17	1.4	32.0	17.5
18-22	52.6	32.7	22.2
23 or over	45.6	34.9	31.6
Total	100.0	100.0	100.0
Average down payment	22.8	20.4	18.0
Regulation W minimum	20	15	10
Number of contracts[2]	3,344	2,027	2,657

[1]Maximum of 18 months when principal amount was more than $1,000, provided monthly payment was not less than $70.
[2]Does not necessarily represent the relative importance to instalment selling of any one commodity in any period.
[3]Percentage of selling price after deduction of amount allowed for any trade-in.

AVERAGE DOWN PAYMENT COMPARED WITH REGULATORY MINIMUM

SELECTED ARTICLES, APRIL 27 – JUNE 30, 1949



average maturity of approximately 20 months, compared with an average of about 15 months for used cars.

Since in instalment sales the commodity purchased is traditionally the security for the credit advanced, durability and resale value of the commodity are likely to be decisive factors in setting credit terms. Such considerations help explain the differences in contract maturities between new and used cars, and also to some extent among the other commodities financed.

In the case of goods other than automobiles, instalment sales of mechanical refrigerators exhibited the longest average maturity. Console radios, at the other extreme, represented the transactions with the shortest average maturity. Several factors combine to lower the resale value, or hasten the depreciation of console radios, such as competition with television, the technological changes occurring in radio-phonograph combinations, and the fact that there has been an earlier satisfaction of backlog demands for radios than for most consumer durable goods.

Down-payment averages, shown in the second chart, illustrate a basic difference between automobiles and other articles, resulting largely from the much greater

TABLE 2

AVERAGE TERMS OF INSTALMENT CONTRACTS ON SELECTED ARTICLES AND PROPORTION OF CONTRACTS AT REGULATORY LIMITS BY FEDERAL RESERVE DISTRICTS, APRIL 27-JUNE 30, 1949

Articles and terms	All districts	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco
New automobiles—													
Maturity:													
Average (in months)	19.6	18.6	19.0	18.5	18.0	19.3	19.5	18.7	18.8	17.2	16.9	20.4	20.5
Percentage at maximum	46.5	37.1	43.0	38.1	46.1	49.5	56.5	44.1	43.9	23.6	27.3	57.7	61.8
Down payment:													
Average (percentage of retail price)	45.0	44.2	46.1	47.4	47.3	44.1	42.9	46.3	42.0	42.3	44.0	40.4	45.5
Percentage at minimum	28.0	35.0	19.5	15.7	17.1	38.5	41.9	25.4	35.9	44.0	26.9	56.0	22.8
Used automobiles—													
Maturity:													
Average (in months)	15.2	15.9	16.1	14.7	15.5	14.7	14.9	15.1	15.6	13.6	13.7	15.3	15.2
Percentage at maximum	12.9	15.7	16.6	7.7	16.5	9.9	10.2	14.1	16.7	3.6	5.0	13.6	14.9
Down payment:													
Average (percentage of retail price)	41.4	41.8	42.9	42.1	42.1	41.0	41.5	40.9	40.4	41.5	41.7	39.3	40.8
Percentage at minimum	34.0	41.8	27.0	24.4	26.3	40.6	31.6	38.0	35.1	45.1	35.1	55.1	31.1
Mechanical refrigerators—													
Maturity:													
Average (in months)	17.8	18.4	18.0	18.2	16.2	16.3	19.2	15.8	18.2	15.6	16.8	19.6	18.6
Percentage at maximum	34.9	37.7	37.4	33.7	21.8	25.6	45.8	21.6	39.4	17.6	26.6	49.0	40.3
Down payment:													
Average (percentage of net price)	16.7	16.9	17.0	17.1	17.3	17.2	14.9	17.9	17.0	17.9	17.3	14.6	16.4
Percentage at minimum	36.9	35.5	33.2	34.5	32.5	33.6	50.1	27.7	35.4	30.0	31.9	49.7	37.4
Automatic washing machines—													
Maturity:													
Average (in months)	15.7	17.1	16.6	15.7	13.7	14.3	16.5	13.6	15.5	13.4	13.1	17.9	16.9
Percentage at maximum	21.3	26.2	27.2	14.1	8.9	13.9	27.6	8.7	22.6	8.1	7.3	35.8	33.0
Down payment:													
Average (percentage of net price)	16.8	16.7	16.5	16.6	17.3	17.3	15.0	18.4	16.3	19.5	18.8	15.2	17.2
Percentage at minimum	34.3	32.4	34.3	36.6	30.4	30.0	48.2	22.2	39.1	19.8	25.5	44.1	34.5
Television sets—													
Maturity:													
Average (in months)	17.2	16.8	16.9	18.9	13.6	17.4	15.3	15.2	16.1	13.3	13.3	15.8	17.2
Percentage at maximum	26.3	22.9	25.0	33.8	5.2	27.0	18.8	18.9	20.9	0.0	0.0	22.2	29.8
Down payment:													
Average (percentage of net price)	18.7	18.4	19.3	18.7	20.2	17.0	18.0	18.3	19.3	17.5	24.0	16.2	18.3
Percentage at minimum	19.1	26.3	17.0	15.1	11.1	24.5	31.3	24.6	18.9	0.0	0.0	33.3	18.8
Console radios—													
Maturity:													
Average (in months)	14.4	16.6	16.5	13.6	13.2	13.3	13.5	13.3	13.8	13.3	14.0	17.3	14.2
Percentage at maximum	14.2	25.2	28.5	5.7	5.2	4.1	8.0	5.9	11.1	6.7	13.2	33.3	33.8
Down payment:													
Average (percentage at net price)	18.0	18.9	16.7	18.3	19.2	19.5	15.8	19.8	18.0	17.6	18.4	14.8	17.9
Percentage at minimum	28.7	21.3	37.4	23.6	20.7	18.4	44.8	16.7	28.1	35.6	28.7	53.2	26.0

prevalence of trade-ins in the case of automobile purchases and the fact that Regulation W prescribed different minimum requirements. Average down payments on automobiles ranged from 41 per cent for used models to 45 per cent for new models. This compared with much lower averages of around 17 and 18 per cent for other articles.

A minor complicating factor in these data relates to a provision of Regulation W which specified that the down payment on an automobile purchase might include a trade-in allowance, whereas it had to be entirely cash for other goods. Thus for nonautomobile goods the down payment was computed as a percentage of the net price after deduction of the amount allowed for the trade-in. Although trade-ins play a relatively small role in the sale of nonautomobile goods, it is probable that the average down payment on these goods would have been slightly larger than indicated in the chart if the trade-in allowance had been included in the down payment.

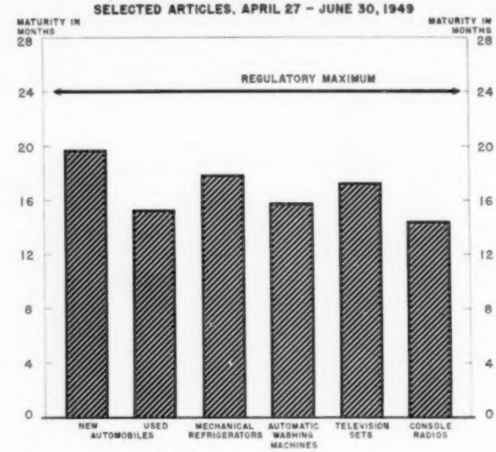
Analysis by Federal Reserve districts reveals considerable divergence in the pattern of credit terms. These variations are shown in Table 2.

The acceptance of 24-month maximum maturities on new car contracts, for example, varied widely among the different sections of the country, ranging from about one-fourth of all new car transactions in the Minneapolis and Kanasas City Districts to more than three-fifths in San Francisco. On console radios and television sets an even greater divergence was evident.

This lack of uniformity probably reflected in part adjustments to regional conditions of standards set by finance companies and trade associations operating on a nation-wide basis. It is also possible, however, that the

AVERAGE MATURITY ON CONTRACTS COMPARED WITH REGULATORY MAXIMUM

SELECTED ARTICLES, APRIL 27 – JUNE 30, 1949



district variations reflect temporary conditions to some extent and that the differences later became less marked.

Further detail on credit terms during the April 27-June 30 period for each of the selected commodities is presented in the series of cross classifications given in Table 3, which show the interrelation between down payments and maturities.

Analysis of these tables indicates that a preponderance of contracts for the articles investigated carried either a down payment or a maturity more stringent than required by Regulation W. In the case of new automobiles, only 17 per cent of all contracts indicated both

TABLE 3

RELATION BETWEEN DOWN PAYMENTS AND MATURITIES OF INSTALMENT CONTRACTS ON SELECTED ARTICLES

[Percentage distribution of contracts, April 27-June 30, 1949]

New Automobiles

Down payment (Percentage of retail price)	Maturities (in months) 12 or less	13-18	19-23	24[1]	Total
33⅓[2]	2.9	5.1	3.3	16.7	28.0
34-39	2.2	4.7	3.1	11.2	21.2
40-49	2.5	4.1	2.3	8.5	17.4
50 and over	12.3	8.6	2.4	10.1	33.4
Total	19.9	22.5	11.1	46.5	100.0

Used Automobiles

Down payment (Percentage of retail price)	Maturities (in months) 12 or less	13-18	19-23	24[1]	Total
33⅓[2]	13.8	12.1	3.1	5.0	34.0
34-39	10.7	11.3	2.8	4.2	29.0
40-49	8.6	6.9	1.6	2.1	19.2
50 and over	10.2	5.0	1.0	1.6	17.8
Total	43.3	35.3	8.5	12.9	100.0

Mechanical Refrigerators

Down payment (Percentage of net price)	Maturities (in months) 12 or less	13-18	19-23	24[1]	Total
10-12[3]	4.4	6.7	4.8	21.0	36.9
13-17	3.8	5.7	5.2	6.1	20.8
18-22	5.4	6.1	2.9	3.6	18.0
23 and over	11.9	5.9	2.3	4.2	24.3
Total	25.5	24.4	15.2	34.9	100.0

Automatic Washing Machines

Down payment (Percentage of net price)	Maturities (in months) 12 or less	13-18	19-23	24[1]	Total
10-12[3]	9.2	8.2	4.2	12.7	34.3
13-17	6.7	7.5	3.5	3.5	21.2
18-22	10.0	6.5	2.7	2.5	21.7
23 and over	13.7	4.6	1.9	2.6	22.8
Total	39.6	26.8	12.3	21.3	100.0

Television Sets

Down payment (Percentage of net price)	Maturities (in months) 12 or less	13-18	19-23	24[1]	Total
10-12[3]	3.5	3.5	3.7	8.4	19.1
13-17	3.7	7.5	5.8	6.9	23.9
18-22	4.1	8.2	4.8	5.3	22.4
23 and over	14.4	10.7	3.8	5.7	34.6
Total	25.7	29.9	18.1	26.3	100.0

Console Radios

Down payment (Percentage of net price)	Maturities (in months) 12 or less	13-18	19-23	24[1]	Total
10-12[3]	10.5	7.2	3.5	7.5	28.7
13-17	6.8	6.9	2.0	1.8	17.5
18-22	11.0	7.0	1.9	2.3	22.2
23 and over	19.9	6.9	2.2	2.6	31.6
Total	48.2	28.0	9.6	14.2	100.0

[1] Regulation W maximum.

[2] Regulation W minimum.

[3] Regulation W minimum was 10 per cent.

the minimum down payment of one-third and the maximum maturity of 24 months. It follows that 83 per cent of the contracts specified either a down payment or a maturity less liberal than the regulatory limits. Of the contracts for used cars, 95 per cent were in the category having either a down payment or a maturity more strict than required by Regulation W. For the other commodities, this proportion was also quite high, varying from about 92 per cent for console radios to approximately 80 per cent for mechanical refrigerators.

The large proportion of terms that were more strict than the regulatory limits bears testimony to the strong financial position of instalment buyers as well as to the policy of instalment financing agencies in the period surveyed. The fact that consumers were able to make down payments much higher than the required minimum implies a strong asset position, and their agreement to repay the unpaid balance in a much shorter time than the maximum implies a strong income position. With respect to maturities it is well to bear in mind that the figures pertain to original contract terms. There is no information on the extent to which these terms have been either shortened via prepayment or lengthened as a result of refinancing or delinquency in meeting payments.

Another interesting point brought out by the data in Table 3 is that contracts with maturities of 19-23 months constituted the smallest percentage of the total for every commodity investigated. It is probable that in consumer instalment financing there is a preference by credit agencies and/or consumers for evenly spaced maturities such as 12, 18, and 24 months.

Further examination of the interrelation between down payments and maturities indicates that long repayment periods tend to be associated with small down payments. This tendency is illustrated in Table 4, which shows that the percentage of contracts with minimum down payments is highest in the longer maturity classifications. All commodities exhibited this tendency but refrigerators offer the clearest illustration. Among the refrigerator contracts specifying 24-month maturities, 60 per cent specified the 10 per cent minimum down payment, whereas among the contracts for 12 months or less, only 17 per cent specified the minimum down payment.

The nature of the role played by down-payment and maturity terms for consumer instalment credit in the postwar period was brought into sharp focus in the first half of 1949. Throughout most of the postwar period, relatively stringent credit terms exercised restraint on the extent to which credit might augment the pent-up demand for durable goods. In the first half of 1949, when inflationary demand appeared to be ebbing, the easing of credit terms first on March 7 and again on April 27 probably helped to maintain a high level of expenditures for consumer durable goods.

It has been commonly supposed that consumer credit regulation is more effective in restraining upswings in business activity than in moderating downturns. In a period of business decline, most consumers who suffer reduced incomes are unlikely to buy expensive goods regardless of terms. In the period under consideration, however, adjustments in some lines of activity did not result in widespread declines in income. At such times, when weakening demand coincides with sustained rather than declining incomes, the easing of credit terms should be especially effective in stimulating consumer demand.

A further easing of terms has unquestionably occurred since the termination of Regulation W. It is difficult to appraise the extent of this relaxation because of a lack of quantitative information similar to the data of this study. Nevertheless, available evidence indicates that instances of instalment terms more lenient than those permitted by Regulation W have arisen in all areas of instalment financing, among banks, finance companies, and major retailers, in nearly all commodity lines, and in all sections of the country.

This study seems to suggest that the bulk of consumer instalment credit is not generally advanced on the most lenient terms available. The study also shows, however, that instalment credit terms are usually eased all along the line when the most lenient terms in use are further relaxed. This seems to be the present tendency of consumer instalment credit. ★★★

Table 4

Contracts with Minimum Down Payments as Percentage of All Contracts in Each Maturity Group, by Selected Articles, April 27-June 30, 1949

Article	Maturity (in months)			
	12 or less	13-18	19-23	24
New automobiles	14.6	22.7	29.7	35.9
Used automobiles	31.9	34.3	36.5	38.8
Mechanical refrigerators	17.3	27.5	31.6	60.2
Automatic washing machines	23.2	30.6	34.1	59.6
Television sets	13.6	11.7	20.4	31.9
Console radios	21.8	25.7	36.5	52.8

Note.—Minimum down payments for new and used automobiles were 33⅓ per cent, and for all other articles 10 per cent.

CINCINNATI

Queen of the Midwest On America's Rhine

CINCINNATI IS LOOKING forward with enthusiasm to playing host to credit executives, credit bureau managers and collection men who expect to attend the 36th Annual International Consumer Credit Conference to be held at the Netherland Plaza Hotel in that city, June 12-15, 1950. Here are a few facts about the city of Cincinnati which will interest prospective visitors.

Cincinnati can be truly called the gateway to the South and the crossroads of the nation. The Ohio River, a lifeline for inland commerce, made the city great long before the rest of the nation had finished pioneering. It is a prosperous city which never hesitated to put its best foot forward. The city got an early start. It was a frontier metropolis surrounded by a huge area of unsettled land which was hungry for commerce. Geography helped it grow as it is literally in the center of the country's industrial world. About 40 per cent of the nation's population is within 350 miles of Cincinnati and it is the nearest major industrial city to the center of population. It is but 600 miles to New York, 240 to Detroit and 700 to New Orleans. Seven railroads have lines into the city along with three airlines. Good transportation and central geographical situation have made Cincinnati one of the big ten cities for conventions. There are 6,400 top-flight hotel rooms to accommodate visitors.

Variety is the Spice of the City's Life

Cincinnati's Union Terminal, built at a cost of $41 million, has no equal in the United States for efficiency or beauty. It is one of the showpieces of the city. The terminal has a capacity of 216 trains daily and 100 miles of track. The concourse is lined with murals depicting Cincinnati industry. The 12,900 retail establishments draw most of their trade from the three-county metropolitan area but the big department stores, industrial and wholesale establishments do business with every state in the union. About 45,000 persons make their living from the $359 million-a-year retail business done in the city. It is the 14th city in manufacturing with 1,200 plants employing over 100,000 persons. Manufacturing is grouped in 11 major types including: machinery, 91,000; food products, 11,000; iron and steel products, 10,000; printing and publishing, 9,000; textiles, 8,500; chemical and allied industries, 7,000; non-ferrous metals and products, 4,700; lumber and finished products, 4,700; paper and allied products, 4,600; leather, 4,500; and autos and auto equipment, 3,000. The great production of machine tools led to the growth of many another industry in Cincinnati.

Soap making, which dates back before the Civil War, is one of Cincinnati's senior industries. Procter and Gamble, which reputedly produces about half of the nation's soap products, is located in the city. It was founded in 1837 by William Procter and James Gamble. Today a growing group of buildings cover hundreds of acres in which 100 giant kettles produce hundreds of thousands of pounds of soap which find their way into millions of homes from coast to coast.

This is the home city of the Gruen Watch Co., and the Herschede Hall Clock Co. Gruen makes its watch movements in Switzerland, but cases are made and watches assembled on Time Hill in Cincinnati. Across the river, in Dayton, Ky., is located the Wadsworth Watch Case Co. Meat packing, one of the big five Cincinnati industries, is represented chiefly by E. Kahn's Sons Co., which is one of the big 12 packing plants in the United States. The Cincinnati Union Stockyards is the 15th ranking yard in the country and handles about a million head a year. The bright red fronts of grocery stores was made famous throughout the midwest by B. H. Kroger, founder of the Kroger chain, a Cincinnati merchant. The warehouses, home office and plant are located in that city.

View of Cincinnati's Ever Expanding Sky Line Taken From the Kentucky Side of the Ohio River

Lithographing and printing got an early start in Cincinnati and became a flourishing business. Many a small boy popped his eyeballs over circus posters produced by Strobridge Lithographing Co., which in 1854 established one of the first lithographing plants in the west. Other Cincinnati lithographers' products can be seen on every grocery and smokeshop shelf in the form of cigaret packages and tobacco cans. This is also the home office and printing plant of *The Billboard*, the weekly magazine devoted to the entertainment world. Thousands of wandering showmen list their permanent address as "c/o The Billboard, Cincinnati, Ohio."

If you play cards, the United States Playing Card Company of Cincinnati, contends it is two-to-one you will use cards of its manufacture. The plant, situated in Norwood, has been a fixture since 1881. The Company, some years ago, presented to the Cincinnati Art Museum the largest and most nearly complete collection of playing cards in existence. Because of the Ohio River and rail terminals, Cincinnati has become one of the great coal cities. Its companies either transport, sell, or in some other way handle 55 million tons of coal a year. It is the home city of the Appalachian Coals, Inc., whose 30 million ton handle makes it the largest coal sales agency in the world.

A Growing Metropolis

Commerce is not the only thing that a Cincinnatian talks about. They have a long history of devotion to the arts and to making fun as well as money. The city has spread far beyond the original seven hills of pioneer Cincinnati. The riverfront extends along two great bends of the Ohio. The metropolitan area includes all of Hamilton County, Ohio, and two Kentucky counties, Campbell and Kenton. Although Cincinnati calls its Kentucky neighbors "suburbs" two of them, Newport and Covington, are among the largest cities in Kentucky. There is an intense neighborhood feeling in Cincinnati. Downtown is a modern city with two skyscrapers, Carew Tower and the Union Central building dominating the skyline. Distances are measured from Fountain Square, which divides Fifth street into two lanes between Vine and Walnut streets.

On Pike street, just off Fifth, is the Taft Museum, built over 125 years ago. It is of Federal architecture and was the home of one branch of the famous Cincinnati family. The Museum, besides its obvious historical value as a building, is particularly noted for its collection of Chinese porcelain. The Cincinnati Museum of Natural History has exhibits of minerals, plants and wildlife peculiar to the Ohio Valley. In the same building is the Industrial Museum which abounds with working scale models of all sorts of machinery along with full-size coaches of the pre-railroad and pre-auto days. It also boasts Cincinnati's first fire alarm, a huge drum tall as a man which aroused the volunteer fire laddies. On the edge of Eden Park is a big stone and brick building which houses the Art Museum. There are two floors of exhibition space and a library of several thousand books on art. The building has been renovated along modern lines and stresses intimacy rather than the half-lights and barnlike atmosphere of most museums. Eden Park also offers one of the best views of the Kentucky bank of the Ohio River.

For another example of nature in the raw you should visit the zoo which was opened in 1875 with a lion and an elephant as the chief attractions. It has had several private owners, but has been municipal property since 1932. It is a modern zoo and attempts to present the animals in as nearly their natural habitat as is possible. Many of the wild animals are kept in barless cages and you can watch the lions disport themselves on a sunny hillside which could have been imported from Africa. Since 1920, one of the outstanding features at the Zoo grounds has been the Summer Opera which takes place in an open air theater. Besides the opera, Cincinnati has two other great musical institutions, the Symphony Orchestra and the Music Festival. Cincinnati's biggest entertainment plant is Coney Island, a few miles up the Ohio River from the city. At Coney Island, one will find all the rides, funhouses and other concessions that are the field of such entertainment resorts. It makes two claims in that it is the cleanest such park in the world and that it has the biggest recirculating swimming pool with a capacity of four million gallons.

Second in size among Ohio's institutions of higher learning is the University of Cincinnati, whose 56-acre campus lies in Clifton. It includes all the schools normally found in universities and in addition has a large evening college. Since 1906 it has been a leader in the field of cooperative education and in recent years has become noted for its research work.

These are few of the things about which Cincinnatians feel proud and they want to share them with our delegates when they visit the city next June. And most of all they are proud that Cincinnati is the gateway to the South, the crossroads of the nation and the Queen City of the West.

Hotel Rates

Netherland Plaza

Single Room, $4.00, $5.50, $6.00, $7.00, $7.50, $8.00, $10.00.

Double Bedroom, for Two, $8.00, $8.50, $9.00, $10.00, $10.50, $11.00, $12.00.

Twin Bedroom, for Two, $9.00, $10.00, $10.50, $11.00, $12.00, $13.00.

Suite: Parlor and Bedroom, $18.00, $20.00, $25.00, $30.00, $35.00.

All rooms are outside rooms with tub, shower and four-station radio.

The Hotel Gibson

Single Rooms for One, $4.00, $4.25, $4.50, $4.75, $5.00, $5.50, $6.50, $7.00, $8.00 and up.

Double Rooms for Two (double bed), $6.50, $7.50, $8.00, $9.00, $12.00.

Twin Bedrooms for Two, $7.50, $8.00, $8.50, $9.00, $12.00.

Parlor Suites, Two Rooms, $15.00, $17.00, $20.00, to $45.00.

All rooms with tub or shower bath.

CREDIT FLASHES

Erwin Kant to Continue Civic Work

Erwin Kant, who recently retired as General Credit Manager, Ed. Schuster and Co., Milwaukee, Wisc., after 33 years' service, has been named full time secretary of the Upper Third Street Commercial Association of that city. He will represent the association on all community projects. Mr. Kant, a past president of the N.R.C.A., has a long record of activity in civic and business organizations, including national, state and local credit associations.

Elizabeth A. McGee New Maid of Cotton

Elizabeth A. McGee, Spartanburg, S. C., won the coveted title of Maid of Cotton in Memphis, Tenn., January 3, 1950. She is the daughter of Tom McGee, President, Aug. W. Smith Co., Spartanburg department store. She is now attending Holton Arms Junior College, Washington, D. C., and was the winner of the state-wide Maid of Cotton contest in South Carolina. She will tour the country shortly in her official capacity and will appear in leading department stores.

Newspaper Publicity in Des Moines

"Increase in Buying on Credit" was the title of a lengthy article which appeared recently in the *Des Moines Sunday Register,* Des Moines, Iowa. It explained how E. H. Biermann, Manager, Credit Bureau of Des Moines, publishes his "Bluebook" of credit ratings which contains approximately 135,000 names along with the trend in credit buying. Publicity of this nature is of excellent value in selling the general public on the value of local credit bureaus.

C. W. Orwig Retires

C. W. Orwig, Vice President and Director of the Commonwealth Trust Co., Pittsburgh, Pa., retired from active service December 15, 1949. He was with the bank for 48 continuous years and is well known in banking circles and in the wholesale and retail professions. He has attended many of our National Conferences and always took an active interest in the work of the Credit Women's Breakfast Clubs of North America. His many friends and associates join in extending him best wishes for good health and happiness in his well deserved retirement.

J. Christ Christensen

It is with regret that we report the passing of J. Christ Christensen, Credit Manager, Sketter Co., Minneapolis, Minn., for many years. He had been a member of the Retail Credit Association of Minneapolis since 1914 and was one of its staunchest supporters. He was also a member of the Quarter Century Club of the N.R.C.A. and was affiliated with the Minneapolis Business Men's Association. Our sincere sympathy to Mrs. Christensen in the loss of her beloved husband.

Coming District Meetings

District Two (New York and New Jersey) will hold its annual meeting at Hotel Syracuse, Syracuse, New York, April 16, 17 and 18, 1950.

District Three (Florida, Georgia, North Carolina and South Carolina) and District Four (Alabama, Louisiana, Mississippi and Tennessee) will hold a joint annual meeting at the Columbus Hotel, Miami, Florida, April 23, 24, 25 and 26, 1950.

District Five (Ohio, Michigan, Ontario, Canada, and Kentucky) and District Thirteen (Illinois, Indiana, and Wisconsin, except Superior) will hold a joint annual meeting in conjunction with the 36th Annual International Consumer Credit Conference of the N.R.C.A., at the Netherland Plaza Hotel, Cincinnati, Ohio, June 12, 13, 14 and 15, 1950.

District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin and Manitoba, Canada) will hold its annual meeting at the Radisson Hotel, Minneapolis, Minnesota, March 26, 27 and 28, 1950.

District Seven (Arkansas, Kansas, Missouri and Oklahoma) will hold its annual meeting at the Marion Hotel, Little Rock, Arkansas, March 12, 13 and 14, 1950.

District Eight (Texas) will hold its annual meeting in Fort Worth, Texas, May 21, 22 and 23, 1950.

District Nine (Colorado, New Mexico, Utah and Wyoming) will hold its annual meeting at the Vail Hotel, Pueblo, Colorado, April 23, 24 and 25, 1950.

District Ten (Alaska, Idaho, Montana, Oregon, Washington, Alberta, British Columbia and Saskatchewan, Canada) will hold its annual meeting at the Davenport Hotel, Spokane, Washington, May 12, 13, 14, 15 and 16, 1950.

District Eleven (Arizona, California, Nevada and Hawaii) will hold its annual meeting at the Hotel Sainte Claire, San Jose, California, April 23, 24 and 25, 1950.

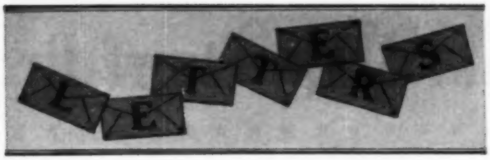
District Twelve (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia and West Virginia) will hold its annual meeting at the Hotel Statler, Washington, D. C., February 12, 13 and 14, 1950.

Wilbur A. Kelley in New Position

Wilbur A. Kelley has been named Credit Manager, Brown Thompson's, department store, Hartford, Conn., succeeding James H. Morrison, who died recently. Mr. Kelley has been with the store for several years and was previously assistant credit manager.

San Jose, California

The San Jose Chapter of the N.R.C.A. elected the following officers at their recent annual meeting: President, Chas. S. Gallagher, Farmers Union Hardware; Vice-President, Paul Granbery, Angl-Calif. National Bank; and Secretary Treasurer, June Elder, Ferguson Music House. Directors: Norris Atwood, Mission Creameries; Louise Knoeppel, Spring's; Jean McTavish, Blum's; and Norrie Waddington, Hale's.



"Although we are in the middle of the greatest volume of business we have done in our 50 years of existence, I want to take a moment to compliment you on the excellent article which appeared in the December 19 issue of *Women's Wear*. It is just such publicity as this that helps the credit profession as a whole. It brings to the attention of those outside credit circles, the important contribution of credit to retailing and the increasing difficulties that we are encountering in fullfilling the proper performance of our duties."—Philip Gleason, Abercrombie & Fitch Co., New York, N. Y.

"Thanks for the Life Membership Certificate which I received a few days ago. I will have it framed and placed in a conspicuous place in my home."—Gus Cohen, Linz, Dallas, Texas.

"The Honorary Life Membership Certificate which you sent me a few days ago put a lump in my throat because in spite of all my other responsibilities I still take a primary interest in our credit department. I shall have it framed for my office and prize it highly."—Leo M. Karpeles, Secretary-Treasurer, Burger Phillips, Birmingham, Ala.

"Thank you most kindly for the Certificate of Life Membership in the N.R.C.A. I shall have it framed as a valued keepsake."—T. L. Loughridge, Seawall Specialty Co., Houston, Texas.

"Please send us another supply of *The Good Things of Life—On Credit.* We give these booklets to the schools, so each graduate has one and they are studied in class. It is an excellent method of teaching credit in a practical manner to students before they are out of school and on their own."—Clotilda Walter, Manager, Credit Bureau of Fremont, Fremont, Ohio.

"I would like to express my appreciation to the National Office for the excellent information you sent me."—Guido A. Marengo Jr., Katten & Marengo, Stockton, Calif.

"I want you to know that I indeed consider it a privilege and an honor to be a life member of the National Retail Credit Association. The inspiration I have received from the many members has been of untold value. I do hope in the future that I will be able to attend more of your meetings."—Mary A. Huddy, Dept. of Public Relations, E. W. Edwards & Son, Rochester, N. Y.

"Thanks for the Quarter Century Membership button, which I shall wear with pleasure. Your kind wishes for my longevity as a member of the National are deeply appreciated, and I sincerely reciprocate your kind sentiments."—G. E. Harris, Credit Sales Manager, The May Company, Baltimore, Md.

"About a year ago we cancelled our membership in N.R.C.A. Since that time I have missed your publication very much and I am enclosing a check for $5.00 today for renewal and will look forward to receiving The Credit World again."—Theddie E. Kinney, Credit Bureau of Haywood County, Brownsville, Tenn.

"I wish to express my appreciation to the National Retail Credit Association for the Honorary Life Membership which has been so graciously granted to me. This is a distinction of which I am justly proud."—Henry W. Hoklas, 5929 Elliott Ave., South, Minneapolis, Minn.

"I have just received my first copy of The Credit World and wish to congratulate you on this wonderful magazine. I joined the local and national associations to further my credit knowledge through your magazine and with contact with other credit men. I am pleased to state that in the few months I have been a member the benefits have far exceeded my fondest expectations."—F. M. Sugrue, Credit Manager, Lords, Highland Park, Mich.

New Orleans, Louisiana

At the annual meeting of the Retail Credit Association of New Orleans, New Orleans, La., the following officers and directors were elected for 1950: President, P. N. Gravios, Jr., Foundation Plan; First Vice-President, A. J. Franz, A. M. & J. Solari, Ltd.; Second Vice-President, Duke D. Dalferes, Gulf Refining Co.; Secretary, J. E. Zimmerman, Sears, Roebuck Co.; and Treasurer, Roland Ruiz, D. H. Holmes, Ltd. Directors: W. J. Anderson, Mayer Israel & Co.; Harris Copenhaver, New Orleans Retailers' Credit Bureau; John P. Dodd, Universal Furniture House; Ola Fayard, Maison Blanche Co.; Thomas C. Fischer, Progressive Bank & Trust Co.; Emile J. Flautt, New Orleans Public Service; Alex Maier, New Orleans Public Service; Dan L. Rivas, Labiche's; and Vernon E. Svendson, Leon Godchaux Clothing Co.

St. Louis, Missouri

At the annual Christmas party and election, the following officers and directors of the Associated Retail Credit Men of St. Louis, St. Louis, Missouri, were elected for the coming year: President, A. L. Mayer, Famous-Barr; Vice-President, Kenneth Oetzel, Boyd's; Treasurer, Ben Thomas, Socony Vacuum Oil Co.; and Secretary, A. J. Kruse, Credit Bureau of St. Louis. Directors: Jack Dorhauer, Consumers Installment Credit Corp.; Irvin Davis, Lane Bryant; Mrs. Llewellyn Saali, Swope Shoe Co.; Mrs. Audrey O'Brien Mockler, Hellrung & Grimm; A. J. Schroeder, Greenfield's; Sol Zeve, Union-May-Stern; Roy Manker, Garland's; Harry Meisman, Mermod-Jaccard-King; Hugo Grimm, Gradwohl Jewelry Co.; and James Friedman, Famous-Barr.

What Is the Most Important Cred

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Opinions of Management

At the beginning of the war credit granters were very much concerned in regard to their credit problems. However, the government stepped in with rules and regulations making a large amount of credit granting automatic, which is, in my opinion, most unfortunate. Now that rules and regulations have been relaxed credit men will again exercise their own judgment, which will be most necessary ,as there is still a great possibility of inflation. One of the cardinal musts is not to build sales by offering credit terms. Credit men must be prepared to resist this tendency as it will only lead to trouble. Credit men and women must be educated and trained as to the handling of credit problems and unless this is done, credit will be a most dangerous tool. It behooves all credit executives to give their best efforts in behalf of sound credit granting, especially at this time, which will prevent further regulations being imposed upon the economics of our free enterprise.—E. K. Barnes, Executive Vice-President, First National Bank, Spokane, Wash.

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The most important credit problem of 1950, in our opinion, will be that of keeping collections at their proper level and reducing write-off to bad debts. Stores who have expanded and have increased their investment in plant and fixtures, or in branches will find that the increase in charge account balances may prove a financial burden. Of course, if the right training is given to the credit personnel, it will pay big dividends, not only in cutting expenses of operation, but in turning accounts faster and minimizing losses.—James J. Doran, Treasurer-Controller, Davison-Paxon Co., Atlanta, Ga.

★ ★ ★

In the Quad-City area of Iowa the business outlook is one of cautious optimism. This area, the largest farm machinery center in the world, embraces Davenport, Iowa and Rock Island, Moline and East Moline across the river in Illinois. In my business we are preparing for a big 1950. Our credits will be sounder because we are taking more time to become better acquainted when our customer applies for credit. And in recording more information about him, we will be able to extend lines of credit better suited to his needs and we will be prepared to handle delinquency more intelligently, should the account go slow. 1950 will be a banner year for those who will combine vision, intelligent direction and positive action.—John M. Hickey, Manager, Personal Finance Company, Davenport, Iowa.

★ ★ ★

The present nationwide competitive attempt to build sales is being developed at the expense of sound credit. Selling a $500 piano with $1.00 down and three years to pay is an invitation to bankruptcy. A suggestion to customers to pay ordinary charge accounts in three months instead of the usual thirty days will send some retail stores to the banks for increased working capital. The experience under Regulation W showed a collection percentage of over 60 in most well run stores. This has fallen off some 10 per cent, which proves the improvidence of permitting the customer to use merchandise with almost no financial investment therein.—Howard Cooper Johnson, President, Philadelphia Merchants' Association, Philadelphia, Penn.

★ ★ ★

(1) *More intensive credit sales promotion:* We feel that an investment in accounts receivable is very much worth while in our business, and we have already started our program for the increase of our accounts with excellent results.

(2) *A liberal policy in regard to credit granting:* We do not feel it is possible to put on a program of soliciting accounts and then follow-up with a severe credit granting policy. We must also consider the trend of the times. It is obvious from statistical data that the trend across the country today is definitely upward in instalment business, while the latest figures show a downward trend in regular charge accounts. In our organization with no hard goods, our proportion of instalment business is only about 5 per cent of the total charge volume—95 per cent being regular 30-day charge accounts. We have found it quite possible to be lenient in granting credit and in the extension of terms beyond the regular 30 days, when requested, without upsetting collection results. Our collection percentage has remained high for our type of business.

(3) *Prompt attention to early delinquencies:* We have found it necessary recently to change our attitude toward delinquent accounts in that we must now be alert in the early stages of delinquency. This, I believe, to be one of the important things we must continue to watch during 1950.—Carl Livingston, Livingston Bros., San Francisco, Calif.

★ ★ ★

We are hitting troubled waters today, and two of our most important problems for 1950 will be sales and collections. Thus, we must grow in specialized knowledge of our awakening . . . . . will take common sense, courage and hard work to steer clear of the rocks. To meet the change in social economic conditions the heyday of yesterday must be forgotten and the realities of today met with improved quality and better individualized service. We must not let ourselves get self-satisfied with the kind of job we are doing today because it will not be good enough for tomorrow.—Mrs. Fred H. Pearson, Pearson's Exclusive Store, Fort Smith, Ark.

★ ★ ★

I sincerely believe that the most important credit problem for 1950 will be that of keeping a youthful outlook on prospects, not tightening the reins too rapidly because of serious local or national economic changes such as the shifting of plants, re-organizations, mechanization, and consequent raising or lowering of local employment. On the other hand, blatantly getting on the band wagon of 'no money down' 'get it for nothing' 'pay when you can' etc., for in an era of deficit spending economy, there can always be an abrupt end of artificial prosperity. This is best expressed by the old saying now hanging in General MacArthur's headquarters in Tokyo: 'Youth is not a time of life—it is a state of mind . . . You are as young as your faith, as old as your doubt; as young as your self-confidence, as old as your fear; as young as your hope, as old as your despair.'—Morton Sonneborn, Executive Vice-President, The Hub, Wheeling, W. Va.

★ ★ ★

We think the most serious menace in current day credit practice is the tendency on the part of some merchants to build sales volume without regard to sound credit practice. We think it unmoral as well as stupid to sell merchandise to people who cannot afford to buy.—Morris Sanford, Morris Sanford Co., Cedar Rapids, Iowa.

Opinions of Credit Executives

With wages and expenses holding to or rising above the 1949 level, it will be a case of 'dog-eat-dog' in the scramble for more volume in 1950 and the devil take the hindmost. The credit granter's most important problem will be in avoiding that hindmost in holding the line in sound credit. Sales departments will want volume at any cost and the credit executive will lose his scalp unless he does the best selling job first with management. And the time to be first is right now with a frank discussion and forecast for 1950 with management. —Herb Barnes, Vancouver Motors Ltd., Vancouver, B. C., Canada.

★ ★ ★

No doubt the credit problems of major importance during 1950 will be difficulty in controlling overbuying; lack of sufficient protection against fraudulent purchases, and inadequate consumer prompt-pay education. Far too liberal terms are being offered. There is also a new factor. Many stores now have two types of charge accounts, regular charge accounts and revolving credit, with the latter customers pay-

Problem *For 1950?*

The Current Trend Of Credit Thought

ing a service charge for the additional months used. Is it possible that the time may come when in fairness to all and after a reasonable grace period, interest or service charges should be added to all accounts?—F. J. Diesing, Wallace's, Poughkeepsie, N. Y.

★ ★ ★

Collections are the most important problem for the credit man in 1950. Pressure from the merchandise man and the credit man's own desire to build sales has placed many slow accounts on the books. This money must be collected, thus protecting the profits and at the same time making accounts open to buy more goods. Expense is secondary as the more we sell and collect, the less our expense ratio will be. To collect within the proper time after the questioned sale is our primary problem.—C. G. Evans, The Halle Bros. Co., Cleveland, Ohio.

★ ★ ★

I believe that merchandising will entail more intensive sales promotion and that management must use all the tools available, including the full facilities of the credit department. I believe that credit personnel will carry a greater share of the responsibility for the success of credit sales. Management will recognize that when greater risks are taken in approving credit, then closer attention must be paid to prompt collection. Credit Bureaus must be prepared to meet the demands of the times with prompt, accurate and complete reports, To succeed today, credit departments must accept the challenge of more intensive sales promotion.—T. J. Fahay, Union Oil Company of California, Spokane, Wash.

★ ★ ★

I believe 1950 will show a continued decrease in collections. To combat this we must increase our credit sales volume, *on a sound credit basis*, through new charge account customers and by reviving good inactive accounts. We can greatly eliminate many collection problems and at the same time increase sales through expanded use of contract and budget accounts. Our credit personnel must be thoroughly and properly trained to cope with the credit problems of today and our new charge account customers must be properly educated to our credit terms when the account is first opened. We must have a monthly aging and analysis of all accounts so that they can be systematically followed up before they become a collection problem.—Charles S. Gallagher, Farmers Union Hardware, San Jose, California.

★ ★ ★

The problems of selecting and training personnel, sales promotion, efficient office operations, collections, etc., are always with all of us in varying degrees. It seems to me that a credit man can best serve his organization and also himself, during these unsettled times, by giving his gray matter a real workout and building a staff that operates so well in all phases that top management will recognize his proficiency, respect his business judgment, and consider him an expert in his field. This recognition will place him among the store's major executives and give him the leeway necessary to make his department the business builder and profit maker it should be.—B. C. Gilbert, L. S. Good & Co., Wheeling, W. Va.

★ ★ ★

Our most important credit problem for 1950 is the development of profitable credit sales. We are anxious to secure new credit customers for our store and are constantly on the alert to secure new sales promotion ideas. In doing so we are now finding it more than ever necessary to make proper investigation of new credit sales prospects and to develop a definite understanding with each customer when an account is opened as to our terms of payment.—James H. Heister, Warner Department Store, Mount Vernon, Wash.

★ ★ ★

I believe that 1950 will see more emphasis on reduction of Credit Office operating costs than we have experienced in a long time. With the mounting increase in overhead, pay roll, supplies, etc., and intensified competition, operating efficiency will be of prime importance. In line with operating efficiency more attention will be paid to personnel training. Sound intensive training when tied in with close study of job simplification and improved operating methods cannot but help to reduce operating costs. Demand will also be made on the Credit Manager to bring about an improvement in collections not only because this in itself is sound, but because the need of strong capital position is becoming more and more necessary.—William J. Kirby, Gilchrist Co., Boston, Mass.

★ ★ ★

The merchandise manager is concerned with selling his wares and retaining the sales volume to which he has been accustomed during the last seven years. His drive along with that of the sales executive and the credit sales manager makes this the Number One problem, especially for the credit department. Although this sales volume may place a heavier burden on the collection department and create a collection problem, it may have a tendency to keep the collection percentage higher and the credit loss ratio lower than it would be with a decreasing sales volume.—Aaron B. Littmann, Gem Jewelry Co., Beaumont, Texas.

★ ★ ★

The universal lengthening of installment credit terms, and the reduction or elimination of down payments is certain to affect collections on both budget accounts and monthly charge accounts. A thorough job of selling easy credit to the American public has been done, and our store sales have all benefited. To convert these benefits into paid up accounts, a more intensive follow-up of your collection procedure must be put into effect. While we are all, new more than ever, cost-conscious in credit office operation, additional necessary pay roll for collection work will be definitely warranted.—R. G. Mihm, The Fair, Chicago, Ill.

★ ★ ★

Each organization's problems will be determined by, the personality, training and experience of the credit department employees; their willingness to learn to improve the operation of their department; their ability to deal with each customer's case according to that customer's deserts and the extent to which the customers have been educated in regard to their individual credit record. The home and the school are the first steps for this education, then whatever is still amiss is of necessity looked after by the credit granters and the credit bureaus. The combined efforts of the NRCA, ACBA and the CWBC of NA have done much to further credit education and thereby have improved the credit life of the world.—Myrtle M. Plymate, Buttreys, Sioux Falls, S. D.

★ ★ ★

Overselling will be the greatest source of headaches to credit executives in 1950 and the years ahead. The American public has had a lot of money during the war and postwar years and we have acquired liberal spending habits. From here on we will not have the buying power but we still have the habit. The customer and the merchant are equally to blame when a customer wakes up to the fact that his pay check is no longer big enough to cover his obligations and he finds himself in financial distress. And, sad but true, the conservative credit granter has to take a loss along with the more liberal granter who loaded 'the straw that broke the camel's back.' —Thos. C. Runner, Colorado Laundry, Pueblo, Colo.

★ ★ ★

Our most important credit problem for 1950 is to try and sell more merchandise on credit and at the same time keep our accounts on a sound basis. This calls for the proper training of the credit office personnel in handling, efficiently and courteously, the credit application, as well as the collection of the account. We should always strive to retain the customer's friendship and good will.—J. L. Sanford, Bishop-Parker Furniture Co., Montgomery, Ala.

One need only to listen to the radio to know what is the greatest problem confronting the Credit Manager in 1950. When you consider the fantastic and unsound terms that are being offered by supposedly reliable firms on refrigerators, electrical stoves, automobiles, etc., we need look no further for the danger signals are present. Our problem then in 1950 is one similar to that of 1939, only much worse, namely, competition in terms with all the attendant grief. We, as Credit Managers, must make up our minds to what extent we are going to compete in the sale of terms and be ever on the alert to protect ourselves.—C. L. Smith, National Motors Ltd., Vancouver, B. C., Canada.

★ ★ ★

Obviously it is wrong to build sales at the expense of sound credit, for this policy would ignore the high loss ratio. However, liberal credit terms can be established on a sound basis. This is a must for any company wishing to compete in today's consumer market, to make their merchandise and services available to the greater number of good credit risks. Dollar loss due to a liberal but sound credit policy will probably increase, but there should not be a great increase in percentage to sales loss ratio.—H. B. Smith, M. L. Parker Co., Davenport, Iowa.

Opinions of Bureau Managers

Extending credit to people is big business. Extending credit on a sound basis is smart business. Extending credit based on full and complete information is necessary to avoid over selling, over buying and bad accounts. Supporting your Credit Bureau 100 per cent will prevent many losses, builds sound credit sales and raises the standard paying habits in a community. For 1950 boost your Credit Bureau and remember there are no short cuts to complete information and sound credit extension.—C. E. Cormier, Credit Bureau of Bay City, Bay City, Mich.

★ ★ ★

Extra busy times such as we experience during the holidays require trained personnel to properly take care of the public's needs and at the same time assure the retailer that profitable credit sales are going into his accounts receivable. Each January and February the Retail Credit Association of Seattle conducts an educational course which attracts the experienced credit sales manager as well as the average credit reporter at the Bureau. Results of interest taken in these courses are particularly noticeable this busy season. The Bureau is better equipped to handle its inquiries due to the desire on the part of its employees to learn the fundamentals of credit that they may more intelligently serve the members.—E. DeWitt, Seattle Credit Bureau, Seattle, Wash.

★ ★ ★

One of the greatest problems in connection with the present decrease in collections and the even greater anticipated decrease in collections for 1950, is with respect to the time that such accounts are placed with an attorney, or preferably lay collection agency, for attention. Too many credit managers place emphasis on collections and neglect credit sales promotion effort, and it seems to me that they are defeating their purpose. The time expended in collecting an account, and the expense involved, can certainly be put to more profitable use in developing new business that will earn a profit far in excess of any collection costs. Getting the accounts in the hands of the collection agency at an earlier date will automatically produce a far greater recovery, as every progressive credit manager is aware. Pursuit of such policy will automatically help to off-set the decrease in collections and at the same time will allow more opportunities for intensive sales promotion.—Jerry Harris, Creditors Service Bureau, El Paso, Texas.

★ ★ ★

There will likely be considerable pressure to lower the standards of credit granting, which will require the energetic efforts of seasoned credit managers to keep credit reasonably liquid. Credit Departments will be urged to reduce operating costs and yet a demand that they expand sales promotion activity. The credit manager will be hard pressed to maintain adequate collections and stop pyramiding of accounts beyond ability to pay promptly. There is a growing tendency among credit seekers to spread indebtedness among a greater number of credit granters. This could cause a greater number of slow accounts, each of moderate sum, but large in the aggregate.—James H. Hays, Credit Bureau of Greater Harrisburg, Harrisburg, Penn.

★ ★ ★

To hold the line on collections without an adverse effect on credit sales promotion will be the most important problem for 1950. I am thoroughly positive though that a thoroughly trained and aggressive credit profession can master the problem. Close cooperation between credit department personnel and Credit Bureau personnel will greatly reduce the main problem.—C. E. Moorman, Credit Bureau of Jacksonville, Jacksonville, Fla.

★ ★ ★

Business is good at this time. It is subject to the natural stimulus of Christmas buying and it will probably equal, if not exceed, last year's excellent figures. Credit is taking an all-time high as a business motivator. It can not be equalled as a means of removing sales-resistance. Since the removal of all credit restrictions, accounts receivable are getting bigger and bigger and there will apparently be no let-up in the increase until retailers put on the brakes. The lack of government controls is one reason for the huge expansion. Another is the intense urge to offer loose credit as selling gets tougher. It appears now that most of the future growth of selling will be in long-time buying, for hard goods such as refrigerators, etc., a trend which puts a mortgage on future income. Some authorities suspect that the government will try again next year to reimpose credit controls. And, these same authorities hint that we are not to be surprised if some retailers do not go along with the thought as they discover their credit accounts almost over their heads. Instalment buying of appliances is being financed more and more by local banks and finance companies. It is the belief that the practice will increase next year. It takes the pressure off local appliance dealers who need ready cash. Another reason advanced for the easy credit that seems to prevail is the 'excuse' of selling now on the promise of repayment when the 'Vets' get their insurance dividend checks. This will start soon after the first of the year and continue for about six months—a good indication of business to be expected the first six months of 1950. But, unless credit is controlled now, expect headaches early in 1950. That is the reason it is important to check all applications for credit through the Credit Bureau before you deliver the merchandise. How much a person owes is more important than how he has paid in the past, at this season when everyone with established credit can get an unusual amount of credit released without even referring it to the office, once in a while.—A. C. Moreau, Hartford Credit Rating Bureau, Hartford, Conn.

★ ★ ★

Credit granters are demanding more accurate and faster service from their Bureaus than ever before. It is a most important problem for all concerned for 1950. To get that service, Credit Managers must rededicate their support to the Bureaus. The service of a bureau is no better than the cooperation it receives from its subscribers. Subscribers must see that all inquiries from the Bureau are answered promptly, and the information is given accurately. The leaders in each community should do their share toward getting other credit granters to cooperate. In no other way can credit men have or expect to have a bureau service that will satisfy their firms and help them give the customer the service he is expecting.—H. B. Ryland, Credit Men's Association, Monroe, La.

★ ★ ★

The most serious problem credit granters will have in 1950 will be to keep their accounts receivable in sound condition, in the face of drastic expense-cutting programs which accompany an over-all reduction in retail sales. There has been considerable room for reduction of credit department expenses through increased departmental efficiency and the more scientific use of the risk-screening processes. But some organizations are beginning to take for granted a continuation of the good customer discipline which has been built up over a period of 20 or more years through a sound credit system, without continuing the minimum accepted safeguards. Direct clearance of references, the taking of calculated risks, and failure to cooperate closely with credit bureaus by clearing all accounts, reporting every bad account, and answering reference inquiries promptly are erosive influences which can undermine our entire credit structure. It is like riding a bicycle on your momentum with no hands.—R. M. Severa, Credit Bureau of Greater New York, New York, N. Y.

(To be continued next month.)

Credit and Collection Procedure

Help Us Solve This One

This problem has come to us from several sources thus indicating widespread interest. Because it promises to be a "toughie" we want to sound out the general thinking before getting into our research. Members are invited to write to us and give any suggestions or opinions that will be helpful.

This is the problem: *Can we arrive at a numerical or percentage evaluation of the various factors in the credit application that will enable credit granters to scientifically score or rate such applications?*

The advantages of a numerical or percentage yardstick against which credit applications can be measured are many. Insurance companies for instance, have their highly developed actuarial tables to accurately determine the risk involved. Some automobile finance companies have for a long time used a grading method which determines the kind of collection follow-up the account should be given. Almost all credit granters have established a system of rating accounts for authorization purposes. The acceptance or declination of accounts has remained in the realm of personal judgment, although it is true individual credit managers have developed a system of balancing and weighing the various factors.

The purpose of this inquiry is to seek the help of credit managers in coordinating the thinking of a representative cross section of credit granters, and out of that will come, we hope, certain trends which can be further explored.

Here are some of the advantages of developing a Credit Scale:

(a) Save Bureau expense by not asking for a report on those applications the credit scale indicates rejection. (The Bureau would of course be notified of the rejection.)

(b) Provide a flexible standard that could be raised or lowered in accordance with current economic conditions and the policy of the firm.

(c) Permit others in the credit department to pass on applications.

(d) Insure complete applications being secured.

(e) Provide the means for setting more accurate credit limits.

(f) Require clearer thinking when rating an application.

(g) Provide for a more revealing analysis of bad debt losses.

(h) Give the smaller store the benefit of expert credit judgment.

(i) Reduce the possibility of unfairness to the customer.

(j) Highlight the reasons for rejection in case the customer required such.

(k) Put retail credit generally on a sounder basis.

(l) Provide data for formulation of credit policies and procedures.

Just as a beginning point for discussion here is a suggested credit scale:

Who is he (meaning completeness of identity)	10 points
Where is he (residence, business, occupation)	25 points
Can he pay (income, amount, source, reliability)	20 points
Will he pay (references, reputation, character)?	35 points
Can he be made to pay (reserves, insurance, investments, real property)	10 points
Total	100 points

75 points would be necessary for opening without guarantor, security, or further analysis.

Credit limits to be set in dollar values, ascending as the Credit Scale ascends in units of five points. Thus the lowest credit authorization limit would be the corresponding dollar value of 75 on the Credit Scale while the highest credit limit would be the dollar equivalent of 100 on the Credit Scale.

We shall be glad to hear what the members have to offer on this question and your frank reaction is invited. ★★★

Automatic Letter Writing Machine

With increasing emphasis on credit sales promotion plus the equally strong requirement of curbing expenses some mechanical aid in getting out the necessary letters is desirable. The pulling power of a sales letter is immeasurably heightened by the achievement of individuality in processing. That touch of personalizing often means the difference between careful reading and indifferent tossing away.

The Manager of Credit Sales has available to him such mechanical aids that enable him to produce large numbers of individual letters at relatively low cost. When one operator can turn out as many as 500 perfectly typed letters in one day, credit sales programs seem less formidable.

The American Automatic Typewriter Company of Chicago announces a new automatic letter writing machine known as Model 5060 Auto-Typist. This is a complete streamlined desk unit, designed for tireless production as well as maximum comfort and efficiency of the operator. A boon to the sales-minded credit manager.

Sales Promotion | Interviewing | Investigating | Authorizing | Billing | Collections | Control

The CREDIT Clinic

A "give-and-take" page, wherein readers may ask—and answer—questions about their credit and collection problems and solve them in the laboratory of practical experience

THE INTEREST in credit sales promotion continues unabated. We have received many comments following the Credit Clinic in the January CREDIT WORLD and thought it well to continue with another group of replies to our recent questionnaire.

Miami, Florida

. . . Our latest program to increase charge accounts was a full section in both leading newspapers, advertising our 51st Anniversary Sales. At the same time, we advertised a No-Down Payment Policy with very lenient terms.

This, together with the fact that within another ten days there would be an added 3 per cent State Tax on merchandise brought an overwhelming response; in fact, the highest record of sales ever experienced. The credit office was swamped with applications for thirty-day accounts, Purchase Certificate Plan, and deferred payment plan on Household Goods. We had, of course, expected good results because of the fact that our sale broke just before the sales tax became effective, but we hardly expected it to amount to such proportions. We feel, justifiably so, that the No-Down Payment and lenient credit terms had a large effect on the total sales.

Our experience with doorbell ringing solicitation has been limited because we do not feel the results received are sufficient to offset the expense involved in this type of solicitation program, due to the fact that our community is comprised of a large number of persons who could be classified as transients, and whose employment changes frequently. Also, we number among our residents thousands of persons who are retired and who must live within a definite set income. Such persons have not been inclined to avail themselves of credit since they wish at all times to keep their expenditures within their income.

Our most successful campaign for the solicitation of new charge accounts went into effect in October, 1944, whereby each employee turning in an accepted application for credit received $2.00 per account for the duration of the campaign, which was one month. Prizes were also awarded for the largest number of applications turned in and approved, the second largest, etc. At the end of this period employees were paid $1.00 per accepted account, and this program is still in effect. We have found this to be the most inexpensive and most profitable medium of securing new charge accounts we have ever used . . .

Atlanta, Georgia

. . . First, we are just going into an employee solicitation campaign which we hope will produce at least several hundred new accounts. We also continue to use newcomer lists, Dodge reports, hostess service and some voluntary credit reports.

Second, we have had practically no experience with personal solicitation.

Third, we have done very little toward reactivating our accounts during the past year, but are considering sending letters to inactive customers to invite them to come in and see our unadvertised promotions . . .

Boston, Massachusetts

. . . At the present time we are engaged in 3 types of new charge account solicitation.

1. Solicitation by employees of the store who are paid fifteen cents per name for all accepted accounts. This is a very satisfactory method of promotion.
2. Solicitation of names of newcomers sent us by our local Credit Bureau.
3. Solicitation of names submitted by a Real Estate Service, which informs us of all persons who have purchased homes in the Metropolitan area of Boston . . .

Houston, Texas

. . . We are in the process of establishing booths throughout the store; enabling the customer to fill out a modified credit application form. This we feel will bring in a few accounts which otherwise would not come to the Credit Office.

We are also processing approximately 5,000 inactive accounts in which a special Christmas letter will be mailed . . .

St. Louis, Missouri

. . . We have a continuous new account solicitation program. We are soliciting by mail the members of the various organizations and individuals whose names are secured from lists prepared by outside agencies or by other departments of the store.

We have no personal solicitation except the Newcomer's Service, whose representative visits the homes of all newcomers.

Concerning the reactivation of accounts, this consisted of a series of three attractive cards which were sent out in September, October and November of this year, the envelopes having been addressed from our Addressograph Plates . . .

Greenville, South Carolina

. . . In our reactivation program we have sent typed form letters with a personal touch in an effort to convey to the customer that her account has been singled out and that we really miss her business. Response has been favorable, especially from a good will standpoint.

Our new account solicitation program consists of following up our newcomer reports furnished by the Credit Bureau and by personal contact through our sales force. We have also compiled a prospect list from the telephone book and the city directory. Since we have just started soliciting from this prospect list, we are unable to report any results at this time . . .

Dayton, Ohio

. . . We used the services of The A. J. Wood Company of Philadelphia to solicit regular charge accounts for us. Solicitation in Dayton was satisfactory. About 65 per cent of the accounts opened were used.

However, our out-of-town and surrounding territory within 30 miles of Dayton was not at all successful as few of the accounts were ever used.

We discontinued all solicitation until recently when we decided to solicit the farmers in this locality. We have a list of subscribers for one of the leading farm magazines, which we are soliciting . . .

San Francisco, California

. . . We are engaged in new charge account solicitation and have been for a period of years. At present we are engaged in soliciting new accounts by means of what we call "silent interviewers" on the selling floors.

There are 24 boxes spread around the five selling floors at the busiest cashiers' wrapping desks. We average 175 charge accounts from these each month. Of course as you realize the declination percentage is high on this type of solicitation.

We have a charge account promotion in constant use by means of keeping credit sales and its advantages in the minds of our selling personnel at all times. This results in additional charge accounts otherwise not available.

At present we are using the Welcome Wagon Services and have picked up about 235 charge accounts from around 400 contacts. There is no available analysis of this.

We are soliciting by means of two letters on all of our inactive charge accounts. One is the merchandise approach and the other the old-fashioned "Have We Offended You?" approach. I personally feel our most constructive solicitation is the "thank you" letter we send on our budget accounts. Every account that is paid up according to terms receives a letter. We switch letters on the average of every three months, so that the customers do not receive the same letter on their second account. This has resulted in a tremendous dollar return in additional volume. In addition, we solicit currently paying budget accounts with a "thank-you" and "why don't you add on to your present budget account?" type of letter . . .

Milwaukee, Wisconsin

. . . Charge promotion at our store follows a definite pattern.

1. We visit all the newcomers to the city and open a charge account for them unsolicited.

2. Customers calling at the Credit Office to open a budget account only are sent a credit plate for a regular 30-day account also when their credit standing warrants.

3. Convenient boxes with applications are placed throughout the store, inviting customers to supply their own credit information and turn it in to salespeople or send it through the mail.

4. Of late we have been running newspaper ads in connection with our credit plate installation and at the bottom of such ads an application for a charge account is printed. This has been bringing in several hundred accounts each time we run the ad.

5. We continue to solicit promptly paid up budget customers by making them a member of our Homemakers' Club with a preferential charge card.

Our increase in charge business is all on the budget side of the ledger. This type of business has been going ahead in leaps and bounds. The reason we attribute to the rapid growth lies in the fact that we are extensively promoting our "Few Pennies a Day" plan, which calls for no down payment and 24 months to pay. We believe this is sound business and definitely responsible for most of our additional installment volume at present . . .

Cleveland, Ohio

. . . In a letter sent to customers within the past few weeks, a very heavy percentage of the responses indicated that these customers could not support a charge account because they did not have the money, were out of work, on short schedules, or were in some other way unable to raise the money to pay for charge account accommodations.

Some time ago we had an outside Agency solicit charge accounts for us on a percentage basis. The results dollar wise were very satisfactory but it was too expensive to maintain the records to find out how much we really did owe them. A more satisfactory arrangement would be to pay a certain price for each account definitely opened on the books. To be sure, these would have to be followed up to see how many accounts bought, and how much, but it would not have to be done on a deadline basis of having the information in at a certain time each month . . .

Detroit, Michigan

. . . We are not at present engaging in any new account solicitation other than suggesting a regular charge account to applicants for deferred payment contracts who appear to meet our charge requirements.

We used the A. J. Wood Company to solicit accounts on a door-to-door basis about eighteen months ago. We agreed that they should solicit two thousand accounts which they did. We are not using any new angles on reactivation—just mailing three letters attempting to get the account back in use . . .

Houston, Texas

. . . 1. We are not at the present time soliciting any new accounts except in newspaper display advertisements in which we state that we will be glad to arrange terms.

2. We do not do any personal solicitation except if we have youngsters we put on in the appliance department we let them make house calls.

3. When an account is paid out on our books, the day it is paid a list of names is brought to the credit department desk. These are written a letter the wording of which is changed from time to time. We find this brings results because many people come back and tell the salesman they had a letter from the credit department and they wish to make further purchases. When that letter is mailed out the list is passed on to the advertising department and is used in feature sales . . . ★★★

CREDIT DEPARTMENT Letters

LEONARD BERRY

A GOLDEN OPPORTUNITY to build good will and make lasting friendships is offered when sending the "acceptance of new account" letter. Of all the letters we are called upon to write, this should be the most pleasant. The situation is mutually agreeable. Your customer has requested a service, and you are granting that service.

Unlike most other credit department letters this has no other function than to tell the customer something she wants to know. Think of the work that collection letters must do. Adjustment letters also have a dual task to perform. Something must be done by the customer, and the letter must bring about that action. The new account letter has only to say, "Yes the account is open, come in and use it."

Most firms recognize the rare possibilities inherent in this situation and use every effort to make the notification as attractive and pleasing as possible. Here and there, however, we find instances where the golden opportunity is not completely exploited. These comments are prompted by the thought that our readers might wish to review their present new account procedure in the light of its importance in good public relations.

The specific form the notification takes is a matter of individual preference. Some firms use a letter, others prefer a folder and still others find advantages in a printed or engraved card.

The principal purposes the notification must accomplish are these:

1. Tell your customer the account is available for immediate use.
2. Explain any special services you offer. Describe identification or authorization devices.
3. State your terms and give information about other credit plans you offer.
4. Point out the advantages of using the account.

In addition to these, there are a few more considerations that are of special importance in the new account procedure, and here is the difference between mediocrity and excellence.

Be Prompt

Your letter or notice should be sent out *promptly*. Much of the tremendous advantage you hope to gain is lost by unnecessary delay. Your customer is not at all interested in the routine the application must follow. The fact that vexatious lags occur in getting references cleared is of no concern to her. Mrs. Customer simply wants to know when her account can be used. Tests show that incredibly long periods sometimes elapse between the application and the acceptance. In this "waiting" time it is altogether possible that your customer will lose interest and you lose business. Promptness is not only courteous but essential. Keep a close watch on your office procedure lest sluggish routine deprive you of friendship and good will.

Be Personal

This new account notification is a personal matter to your customer. In some way we must make it seem personal. Perhaps it will be a hand-addressed envelope that will impart the necessary distinguishing feature. This, combined with hand-stamping certainly will add a personal quality to your communication. There are other methods that can be used to impart this personal touch. Our aim, however accomplished, should be to make this particular mailing piece in some manner outstanding.

Be Pleasing

It is inadvisable to make small economies in the welcome-to-our-books letter. Now is the time to make a good impression on your customer. Perhaps this is the first communication received from your firm. Much future patronage may depend on the manner in which you present yourself.

Put yourself in the position of the customer. At the credit interview, the customer answered questions that may have been considered a bit personal. She may be rather anxious to know if the interview disclosed the necessary qualifications for credit. Possibly there are anticipated purchases to be made just as soon as the credit facility is available. There is no doubt about the importance of your new account notification being: *prompt, personal and pleasing.*

This Month's Illustrations →

Illustration No. 1. This letter used by Neiman-Marcus, Dallas, Texas, and signed by Stanley Marcus, is a shining example of dignified warm welcome expressed in an unusually fine letter.

Illustration No. 2. Clarence E. Wolfinger, Credit Manager, Lit Brothers, Philadelphia, Pennsylvania, combines in his letter the several points we discussed earlier. Every word is made to count. In four paragraphs, Mr. Wolfinger manages to get in all the information the customer should have. Notice particularly the clever device Lit Brothers use to encourage mail orders. "Mailits" come in packets of 10 gummed address labels.

Illustration No. 3. The opportunity is taken by W. B. Romney, Manager, Retail Credit Sales, Z.C.M.I., Salt Lake City, Utah, to tell the new customer about billing plans and payment requirements. Zion's letterhead is especially pleasing and well balanced.

Illustration No. 4. This concise, easy-reading letter used by F. W. Walter, Credit Manager, The Bailey Company, Cleveland, Ohio, carries an appealing sales argument for prompt payment. ***

NEIMAN-MARCUS
Dallas 1 Texas

January 1, 1950

(1)

Mr. John Doe
111 Mill St.
Dallas, Texas

Dear Mr. Doe:

It is with genuine pleasure that we have opened a charge account for you, and we want you to know that this means considerably more to us than a mere formality. Having a charge account has come to represent good will, and that to us is a point of great importance.

Good will in this sense simply means a natural inclination on your part to deal with those who have pleased you. We shall endeavor in each transaction to evidence that we deserve such an indication of your confidence.

You have every right to expect that all of us at Neiman-Marcus will do everything that we can to make you satisfied both with our merchandise and with the way in which it is supplied. It is a tradition of Neiman-Marcus to prefer to conduct our business in the manner of friends, and we are rather particular in choosing, as our staff, people who like to be pleasant.

If any one of us should ever fall short of your expectations, as humans sometimes do, we would consider it a favor of you to let us know.

Sincerely yours,

Stanley Marcus

Stanley Marcus

SM:VD

A Great Store in a Great City
LIT BROTHERS
8TH AND MARKET STREETS
PHILADELPHIA 5, PA.

(2)

EXECUTIVE OFFICES

November 8, 1949

Mrs. John O. Smith
2200 Callowhill Street
Philadelphia 30, Penna.

Dear Mrs. Smith:

Your LIT BROTHERS charge account, which we are so happy to have you accept, is now ready for use and completely at your service - just when this alert store of ours is filled from top to bottom with exceptional offerings of our famous merchandise and equally famous values. We therefore hope you will soon begin to enjoy the many advantages of charge-shopping here.

You are sure to find, for instance, that the enclosed identification coin, the receipt for which we ask you to return at once, greatly speeds and simplifies purchases you wish to take with you or have delivered to an address different from your own.

Another interesting LIT BROTHERS charge feature is the bonus of free Yellow Trading Stamps you receive each month upon payment in full of your current bill for the previous month's purchases.

Moreover, you are eligible to apply for any of our other payment plans, which we vary according to the type of merchandise and your own particular needs. Simply call on our Credit Office, which, like all departments of the store, is ready to help you at all times in all possible ways.

Cordially yours,

C. H. Wolfinger
Credit Manager

Our 56th Year

P.S. We are enclosing a packet of handy Mailits for easy mail shopping. We pay the postage on them.

BUSINESS REPLY LABEL

LIT BROTHERS' MAIL ORDER DEPT.
Eighth & Market Sts.,
Philadelphia 5, Pa.

ZCMI ZION'S CO-OPERATIVE MERCANTILE INSTITUTION
SALT LAKE CITY 10, UTAH

(3)

January 3, 1950

Mrs. John Doe
1180 Euclid Blvd.
Salt Lake City, Utah

Dear Mrs. Doe:

Thank you for the privilege of adding your name to our list of charge customers.

Your patronage is appreciated and it is our desire not only to make friends but to keep them. Our varied lines of quality merchandise place us in an excellent position to take care of your requirements promptly. We sincerely hope the merchandise you purchase and the service we render will prove satisfactory and that it may be our privilege to serve you often.

We want you to thoroughly enjoy shopping on your account and your suggestions for the improvement of our services are always welcome.

We have adopted the Cycle Billing plan. Under this plan our accounts are divided alphabetically and billed at different periods of the month. Your statement will include transactions of the thirty day period ending the fifteenth of each month. Payment is due ten days from this closing date.

Yours very truly,

Z C M I

W. B. Romney

W. B. Romney, Manager
Retail Credit Sales

WBR:tb

The Bailey Company
Cleveland Stores
Ontario & Prospect
Warren & Detroit
10007 Euclid
Est. 1899

(4)

January 3, 1950

Mrs. John Doe
11991 Lakeshore Drive
Cleveland, Ohio

Dear Mrs. Doe:

Thank you for the opportunity of opening a regular charge account in your name. A record of such authorization has been sent to our branch stores and purchases may be made at the store most convenient for you. Such purchases regardless of the store in which made will appear on the same statement and payment may be made at the office of any one of our stores.

The prompt payment of your account entitles you to the added savings which are returned to you in Merchants Trading Stamps.

We will endeavor to make your wants our constant study and to have at all times the kind of merchandise which will meet with your approval. Any suggestions that you may have will be much appreciated. Please be assured of our sincere appreciation of every opportunity given us to serve you.

Very truly yours,

THE BAILEY COMPANY

L. G. Oppenheim

President

Items of Interest From the Nation's Capital

HAROLD L. SCHILZ, Counsel, National Retail Credit Association, Washington, D.C.

Why a Federal Garnishment Law Is Necessary

Senator Estes Kefauver of Tennessee, a member of the House of Representatives in 1944, sponsored legislation in the Congress of the United States which would permit the garnishment of salaries of Federal employees, where judgments on debts had been obtained against same and it became necessary to proceed by other legal process to enforce the judgment. The legislation passed the House of Representatives, but that Congress adjourned before it was finally acted upon by the United States Senate.

Senator Kefauver made an extremely lucid and informative statement concerning the purpose and intent of this Bill when he was debating the question on the floor of the House, and his words speak for themselves better than any interpretation of them:

Statement by Senator Kefauver

"What is the present situation throughout the country and in the Federal Government with reference to garnishment? One of the basic parts of the free enterprise system is credit. America to a great extent was built on credit. Our great railroads, our great industries, our cities were not paid for in cash; the great part of American business is done on credit, even individuals do business largely on credit. *Yet our system of credit*, which is a fundamental ingredient of free enterprise, *breaks down unless there is some legal way to enforce the collection of a debt.* If there is no legal way then you cannot have credit. In recognition of this fact all except three of the States of the Union have passed laws which after allowing exemptions which I think should be generous, subject salaries and wages to garnishment if they do not pay their debts. If they get services, of course, they ought to pay their debts. If they get into a situation where they cannot pay their debts laws have been passed which give them relief. Section 13 of the Bankruptcy Act allows a salaried person to make an adjustment without going into bankruptcy. * *

"Why did all but 3 of the 48 States pass laws allowing garnishment? Because they recognized that that was a part of our American system. I want to call attention to the fact also that 39 of the States have now passed laws which authorize the garnishment of salaries and wages of employees of State, county, city, and municipal governments, any State government employee.

"Thirty-nine of the States have passed those laws. Mr. Chairman, why should the employees of these 39 State governments or the employees of private industry have a different rule applied to them? Why should not the same rule apply to the employees of the Federal Government? Will you say that the employees of the Federal Government are less intelligent? Will you say they are less able to take care of themselves? Will you say that they are more apt to be the prey of the pawnbroker and of installment buying? Will you say that their salaries are less? No. As a matter of fact, you will have to say that the employees of the Government, because of civil-service requirements, are supposed to be more intelligent than most of the similar type of employees in private industry" (p. 2260, Congressional Record, March 3, 1944; and italics supplied).

What objections were interposed: (1) the Federal departments would be overburdened answering inquiries (2) that such a bill would aid "loan sharks" in soliciting accounts from and imposing on Federal employees (3) it would encourage the "so-called easy payment advocates" (4) some states definitely refused to permit garnishment of any class of persons (5) enactment of the law at that time would interfere with the War effort because placing additional burdens on the Federal departments (6) the Federal government would become a collection agency (7) there would have to be additional employees on the Federal payrolls to handle these matters.

In answer, it was pointed out that the hearing Report on the bill contained letters from responsible governmental-corporation officials showing that after the courts authorized garnishment of employees of such corporations, the volume of correspondence concerning the indebtedness of such employees had actually decreased, that it was not necessary to employ additional persons to handle the matter, because when "employees, thoroughly conversant with the fact that they must pay their bills or have their pay checks tied up by writs of garnishment, have decided that the better course is to honor their contract obligations" (Letter from R. F. C., Nov. 13, 1943).

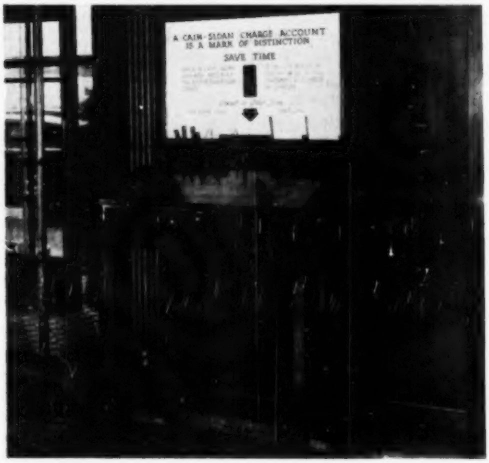
The army of Federal employees is constantly growing. It is true that some of the departments have regulations which permit the censuring and dismissal of employees who constantly neglect their debts. This, however, embroils their administrative staffs in constant wrangles concerning such matters. Particularly is this true where alimony and bills are involved in marital disputes. It means that some administrative chief clerk must for hours and days act as judge and jury on complaints that are brought to his attention; and then if in a flagrant case he dismisses the employee, the government is at once subjected to a lawsuit at the cost of more valuable time, as is shown by the recent *Carter* case against the Defense Department, in District of Columbia courts (see page 22, June, 1949, CREDIT WORLD).

The bill passed by the House in 1944 was extremely reasonable. It permitted only one garnishment on an employee in any one month. Sixty days was allowed to respond, thus giving him a chance to adjust his affairs. The garnishor had to pay a fee to the Government of $2.50 as a minimum and $5.00 maximum, to pay the cost of the handling (it was commented many private firms would be glad to get garnishments with such a fee attached!). Garnishment could be had only in accordance with the terms and exemptions of the State laws where the judgment was obtained; social security, veterans' benefits, taxes, and bond purchases (War bonds) were exempt. Interest was 6%. The bill did not apply to the members of the Military Services, the professional Army, Navy, Marine Corps, Air Force and Coast Guard military people.

It was noted that collection problems with employees of government corporations decreased remarkably when the courts permitted garnishment process to be served on such corporations. It is to be sincerely hoped that Congress will assist in achieving the same result with the rank-and-file of Government employees by facilitating the passage of such legislation in this Congress. The introduction and passage of such legislation will be sought. It will be fair. ★★★

A Complete Credit Program

Cain-Sloan Company, Nashville, Tennessee, is diligently exploring every avenue to gain more charge account customers. A continuous newspaper campaign consisting of twice-weekly advertisements in both Nashville newspapers, beginning in March, 1949, resulted in the acquisition of 920 new accounts and sales of $47,506.26 by the year's end.



Hugh Reagan, Credit Manager of Cain-Sloan Company, reports that while rejections were rather high, 18 per cent being declined, he considers the campaign successful. The advertisements carried a seasonal appeal, and the slogan, "A Cain-Sloan Charge Account Is a Mark of Distinction," was emphasized. The advertisements were discontinued during the summer months.

Coincidentally with the resumption of newspaper advertising in September, Mr. Reagan initiated a new account campaign within the store. Attractive credit application boxes (illustrated above) were set up on all selling floors. All employees were briefed by Mr. Reagan as to the use of the credit application and informed that 50 cents would be given for each account opened and used, through their efforts. Considerable enthusiasm was aroused and maintained by constant encouragement from the Credit Department.

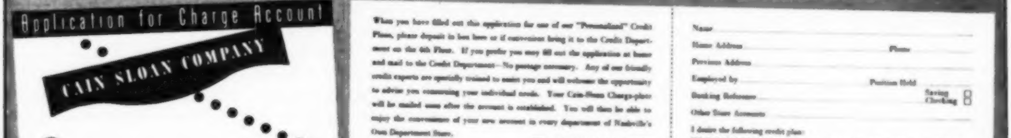
The application card used by Cain-Sloan Company is most attractive and through the courtesy of Mr. Reagan we are illustrating it. Figure 1 (below) shows the front of the card. Figure 2 shows the two inside parts of the card. The fourth side (not shown) is a postage prepaid addressed business reply card all ready for mailing should that be necessary.

It is interesting to note that rejections of applications secured through this method were slightly less than ten per cent. During September, October and November of last year, 1,200 applications were accepted and these created sales of over $33,000.00. The credit application box on the street floor is made to do double duty by designing it as a receptacle for checks in payment of customers' accounts, thus saving many a tired shopper a trip to the credit office to pay her bill.

Cain-Sloan Company have started an expansion program and are building an entirely new store which should be completed within about eighteen months. Included in the plans are modernistic credit and general offices, using the latest facilities and methods of customer service, and fast and efficient credit authorization.

With his new equipment, and added space, Mr. Reagan plans even further intensification of his credit sales promotion programs. In addition to the newspaper and employees' campaigns, the store does not overlook any possible opportunity to promote credit sales. Enclosures are constantly sent out with customers' statements pointing out the many special purchases that can be made, and encouraging greater use of the account. Letters of welcome go to all newcomers, as well as messages of credit sales promotion to prospective brides and newlyweds. Once in a while the credit department is successful in securing a window display devoted to credit promotion.

Far from being content with this unusually complete credit sales promotion coverage, the store is interested in still further adding to its customer list thus giving support to our conviction that the alert and aggressive credit department is truly a sales department. ★★★



Character in Credit

JAMES BROOM, A.C.I., *Manager*, Lumberman's Credit Bureau, Toronto, Ontario, Canada

CHARACTER is recognized as being the most important factor essential to credit. Authorities place it first in priority over Capacity and Capital. The essence of credit is belief, or trust, and this cannot be better portrayed than in the following definition of credit:

"Credit is the power inherent in the prospective borrower which induces another person to transfer goods or services in the present on the promise of a future payment." Belief that a promise will be fulfilled is based more on character, a belief that a man will keep his word or make every endeavour to do so, than on anything else.

It may seem strange that in any textbook on credit one might read he will find that the space devoted to Character is infinitesimal when compared with what is written about Capacity and Capital. This is not inexplicable, for Character is an intangible possession, something which cannot be measured in units. It can be described only in an indeterminate adjectical manners, such as high, good, poor, low, bad, etc. Character is something which is impressed by nature, or habit, upon a person and which distinguishes him from all others; something over which only he himself, in his own mind and thoughts, has control.

In appraising Character the average credit man is usually only investigating reputation. There is a substantial difference between the two. Character is within the man himself, while reputation is in the minds of others. It is easier to learn what a person is thought to be, than what he really is. Consideration must be given to the fact that the estimate given someone else's character is according to the standard fixed by the appraiser. I have heard credit men refer to certain men as being of good character because they went to church regularly, did not smoke, were total abstainers, and possessed other virtues, while at the same time their paying habits and business ethics were open to question. No two of us have the same thought or idea as to what properly constitutes character, whether good or bad.

At one time there was a certain stigma attached to being in debt. In dealing with present-day conditions, B. Y. Haddy, F.C.I. states in part as follows: "As civilization has advanced, the nonpayment of debt has come to be considered a misfortune rather than a crime." Our Law Courts have displayed this attitude toward debtors. They have favoured too much the cause of the debtor, which creates a tendency to weaken the willingness to pay, and this is an important factor in appraising character.

Standards of business morality differ not only among individuals but among nations. This condition cannot be ignored. It is of great importance, not only in handling foreign risks, but in selling on the domestic market where our population is becoming increasingly cosmopolitan in its nature. Those of us who have been in the credit business over a period of years know that the business of morals of certain nationalities, especially those of Near Eastern and certain Latin countries differ vastly from those of Nordic or Anglo-Saxon origin.

Character can be best appraised through personal contact. If the credit man knows the individual, it is easier to weigh his character than by trying to ascertain it through reputation related in credit reports. This is one reason why credit men, wherever possible, should make personal calls on customers or prospective customers. After carrying on a conversation set on a prearranged basis along certain lines, he will be able to size up his man. Some authorities advocate that credit men can be trained to analyze character by studying eyes (shifty or otherwise), facial profiles, foreheads (either receding or protruding). Personally, I do not believe it, especially when one's thoughts are turned to three contractors who were interviewed in the course of a year, and all of whom a few months later were found guilty on charges of fraudulently converting money to their own use. Not one had the same facial or physical features.

To appraise Character properly, examination should be made of personal habits, style of living, past life, business and personal friends, standing in the community, integrity, obedience to law, business ethics, record as to bankruptcy and civil court actions, fire records, etc. Style of living is important. Many business failures can be attributed to living beyond one's means. This has been noticeable in recent years. Many small operators and businessmen, flushed with a false sense of success in selling on a "sellers' market," felt that their former surroundings were not stylish enough and that they should build or buy larger houses, buy expensive cars, and move in social circles beyond their means, with inevitable disaster. This shows a definite lack of character, inasmuch as money which belonged to creditors was used, or no provision made for future contingencies. Prosperity creates a desire for sudden wealth with little thought given to the manner in which it is obtained.

A short time ago the creditors of a woodworking contractor were concerned about the number of his cheques being returned marked "N.S.F." His plant was kept continually busy. He was getting good prices for his products and he appeared to be attentive to business. A chance remark made by a mutual friend that the contractor was indulging in poker games with men of higher financial standing and more knowledge of poker than his, led to the discontinuance of credit and the ultimate taking over of his business by relatives who had helped to finance it.

So far as judging a customer's standing in the community is concerned, consideration should be given to the fact that men who take an active part in municipal politics, church work, service clubs, etc., often do so at the expense of neglecting their own business. In order to make a sound credit analysis all elements of power, Character, Capacity and Capital, must be weighed. If Character is questionable, all other powers lose their importance.

One authority says that Character is placed first in importance because it may be likened to a switch which throws into operation the dynamo (Capacity) which supplies real power (Capital) to redeem a credit. Testifying at a Congressional investigation the late J. P. Morgan stated that the basis of credit is character. Some credit men regarded the statement as unfortunate, feeling that it gave undue preferences to Character in a credit risk. Others felt that Mr. Morgan meant by Character the personal element which would include Capacity but would exclude Capital which is not a personal element.

Character and Capacity are intangible and personal attributes. Up to a certain point they may bear a certain reciprocal relation one to the other, but this does not always hold good. A man may be of high character and well meaning but his power of capacity is poor. Conversely, high capacity does not always imply high character. Capital is important but consideration should be given as to how it was acquired.

It is not practicable to abide by general rules unless thought is given to all the modifying factors. However, it is safe to reject any debtor of questionable character, lacking in moral stability and virtually a fraudulent risk. Despite popular belief credit men are human and like to take a chance every once in a while. Some instinct, it may be a gambling one, speculative, more than likely a challenging one, to match shrewdness against shrewdness, springs up, with the thought that "I can be as smart as he is" prevailing. But the chances of success are no greater than playing cards with a shark who has them stacked. The advice given in 1864 by Hugh McCullough, first Controller of Currency in the U.S.A., never to deal with a rascal under the impression that you can prevent him from cheating you, and that the risk in such cases is greater than the profits, is still up to date.

Two Important Signs of Good Character

Ability to pay and determination to pay are two important signs of good character. A man of high character will not obligate himself beyond his ability to pay. In the investigation of a debtor's record, his paying habits should be considered. If of good character, it is more than likely his paying record will be good. The habits of an average man seldom change abruptly and vary little over a period of time. If the paying record is good the probabilities are that it will continue so for some time. If he becomes involved financially, he may become slow, but will make every effort to satisfy his creditors. It may be that apparent unwillingness is due to inability to pay, because, of business recession, unexpected capital expenses, sickness, etc.

Quite often the resources of a delinquent debtor are registered in the name of his wife, or some other relation, and are beyond the reach of legal process. This, I insist, is a sign of really poor character. It is permissible that a man's home be registered in his wife's name, but if assets are created out of business profits, they should be made available for creditors in times of financial difficulties.

I think of two cases which were recently brought to my attention, illustrating different types of character. The first was a building contractor, who through circumstances beyond his control got into difficulties in the depression of the thirties. He did everything humanly possible to liquidate his debts; his high moral character and honest efforts appealed to his creditors, many of whom settled at a compromise. From time to time he obtains small contracts and has no difficulty in getting credit. He recently was asked to carry on some house-building operations from a man of high repute and financial standing. Nevertheless he thought it best that he should call our Bureau and give us full information, so that those from whom he would be purchasing materials would have full knowledge of his affairs. His former creditors are extending credit again, as much on his character rating as anything else.

This differs from the second case, the subject being a builder who is finding it difficult to obtain credit from reputable firms, because he is not held in high regard. His capacity is fair; he has sufficient money to build at least one or two houses, but his character rating is poor. Dealers report that he is a stranger to the truth, is not temperate, and formerly had a habit of "borrowing" materials from one contract job for use on another. He has not been active for a number of years but recently made an attempt to start up again. When he was refused credit he called on the Bureau to find out the reason, and with an air of injured innocence professed that his record was good. When advised that many firms did not regard him favorably and that a number of accounts had been written off to bad debts, he was "sure" that they had him mixed up with some other fellow; and, as for old debts against, him, why, he had forgotten all about them and would go forthwith and settle them, so that his report would be "clear." So far the accounts remain unpaid.

There is an old adage about the leopard never changing his spots. This is applicable in dealing with the character aspect of a credit investigation. Unfortunately it is only too true. If a review were made of the history of most credit offenders, and every separate line of business has its quota of well-known offenders and repeaters, it would be discovered that the trouble arises from the character traits of the principals. The usual story is that this type is smart but their weakness of character prevents them from trying to do business on a straightforward and ethical basis.

Another saying, attributed to Benjamin Franklin, that "China, Glass and Reputation are easily cracked but never properly mended," is one which should be brought to the notice of debtors. It should not be the duty of the credit man to be the guardian of the morals of debtors, but it would be helpful if more stress were laid on Character. In these dark days when materialism prevails over idealism, a light should shine to show man that his most valuable asset is his character, an asset far greater in value than all the material wealth of the world. No one is more fitted to preach and practice this gospel than the conscientious credit man. ★★★

Collection Scoreboard

Compiled by the Research Division

December, 1949 . . . . **December, 1948**

CITIES	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						MEN'S CLOTHING STORES					
	1949			1948			1949			1948			1949			1948			1949			1948		
	AV.	HI	LO	AV.	HI	LO	AV.	HI	LO	AV.	HI	LO	AV.	HI	LO	AV.	HI	LO	AV.	HI	LO	AV.	HI	LO
Atlanta, Ga.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Baltimore, Md.	45.3	52.5	45.2	44.8	51.2	38.7	20.6	30.5	15.7	24.2	33.1	18.0	44.0	48.6	39.1	44.0	46.3	44.0	47.7	51.4	44.0	48.9	49.0	48.8
Birmingham, Ala.	45.5	51.2	38.5	50.1	59.4	41.0	18.5	24.4	17.0	29.0	38.3	22.0	43.6	49.0	38.2	49.0	50.0	48.0	52.9	61.0	46.5	55.8	57.5	53.9
Boston, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cedar Rapids, Ia.	—	55.9	—	61.2	63.4	59.0	—	23.3	—	27.7	34.0	21.4	—	93.0	—	—	85.5	—	83.1	87.2	79.0	78.9	80.8	77.0
Cincinnati, Ohio	54.4	61.6	45.9	55.1	62.1	47.6	16.6	26.5	12.3	17.8	26.9	12.2	59.1	62.8	55.5	60.2	65.5	54.9	57.2	62.8	51.5	53.8	62.7	45.0
Cleveland, Ohio	—	—	—	52.0	52.9	47.4	—	—	—	28.1	28.4	23.5	—	—	—	—	—	—	—	—	—	68.5	93.3	43.8
Columbus, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Davenport, Ia.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Denver, Colo.	53.8	55.1	40.5	53.6	56.7	43.2	23.3	55.5	22.2	24.5	34.6	22.2	47.4	54.2	40.5	47.8	52.5	43.2	—	—	—	—	—	—
Des Moines, Ia.	—	—	—	—	55.1	—	—	13.0	—	—	18.0	—	58.7	64.3	53.1	58.1	62.2	53.1	—	63.2	—	58.6	64.2	55.0
Detroit, Mich.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Grand Rapids, Mich.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kansas City, Mo.	61.0	68.7	50.6	56.2	73.0	32.8	14.5	18.9	10.2	20.3	31.0	18.5	61.0	68.7	50.6	56.2	73.0	32.8	61.0	68.7	50.6	56.2	73.0	32.8
Little Rock, Ark.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Los Angeles, Calif.	49.1	62.5	43.9	55.5	63.8	49.0	17.7	19.7	16.5	21.1	25.5	15.9	—	53.2	—	56.1	61.4	50.7	56.5	74.1	48.0	61.1	62.7	47.0
Louisville, Ky.	48.6	51.4	45.8	46.9	50.0	43.8	16.3	19.3	11.5	17.6	22.4	12.1	43.6	50.1	35.0	43.6	50.9	33.4	54.8	62.5	50.1	55.2	62.2	47.8
Lynn, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Milwaukee, Wis.	—	—	—	56.2	65.1	50.9	—	—	—	23.1	24.3	22.7	—	—	—	58.8	59.0	51.5	—	—	—	62.6	80.0	49.0
Minneapolis, Minn.	57.7	61.9	54.4	62.4	67.0	56.5	22.4	23.5	20.4	27.9	29.7	24.0	35.4	48.7	22.0	30.3	34.5	26.1	61.6	81.8	46.4	59.4	71.3	48.4
New Orleans, La.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
New York, N. Y.	48.5	61.9	39.1	47.3	63.2	33.2	20.4	22.2	14.4	19.7	24.0	16.7	49.3	51.4	46.9	50.5	51.4	46.1	—	58.7	—	—	60.8	—
Oakland, Calif.	58.5	62.0	48.4	57.7	58.1	49.4	17.2	24.6	11.2	20.4	25.9	18.6	51.4	52.3	50.5	—	53.0	—	49.2	59.6	35.5	51.0	68.4	36.6
Omaha, Neb.	61.5	72.1	51.0	63.5	75.6	51.4	—	20.5	—	17.9	23.5	12.3	52.6	57.9	45.3	53.3	58.3	46.1	61.0	63.3	48.6	60.3	61.1	59.5
Pittsburgh, Pa.	—	—	—	64.0	70.8	57.2	—	—	—	21.7	22.2	21.2	—	—	—	—	—	—	—	—	—	—	—	—
Providence, R. I.	51.7	56.0	46.4	52.9	56.3	50.1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
St. Louis, Mo.	54.9	62.1	45.1	54.0	58.8	48.0	21.8	22.5	20.9	26.5	30.3	20.7	50.6	56.0	54.0	49.0	56.8	43.3	54.9	56.8	51.6	55.9	49.0	52.0
Salt Lake City, Utah	65.4	75.9	58.0	68.3	76.1	61.2	23.7	25.4	20.6	32.2	38.2	26.7	—	—	—	—	—	—	59.5	62.2	56.9	65.4	66.0	64.9
San Francisco, Calif.	53.5	62.4	40.0	52.8	60.6	39.6	22.1	25.8	20.1	32.9	37.2	24.1	42.4	47.3	39.2	42.3	49.3	40.0	48.8	53.0	47.7	54.2	54.9	51.8
Santa Barbara, Calif.	58.0	64.4	45.0	61.5	68.1	54.2	—	—	—	—	—	—	60.7	69.4	50.7	59.9	67.4	47.5	69.7	72.6	66.5	67.2	70.0	63.6
Sioux City, Ia.	60.8	63.2	58.4	63.8	64.5	63.1	—	20.4	—	30.1	33.9	26.4	56.5	65.0	48.0	58.5	70.0	47.0	—	78.6	—	69.5	81.0	58.0
Spokane, Wash.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Springfield, Mass.	63.1	66.1	60.0	60.6	65.2	55.9	22.3	23.5	21.1	24.1	26.1	22.1	—	—	—	—	66.8	—	—	51.1	—	—	32.3	—
Toledo, Ohio	49.0	51.6	47.1	50.5	53.1	44.9	18.7	25.1	15.9	20.3	22.7	15.5	58.3	60.2	45.0	50.0	62.7	45.1	45.1	46.5	43.7	47.8	48.2	47.4
Tulsa, Okla.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Washington, D. C.	45.0	54.9	40.8	43.0	46.7	39.6	19.0	23.5	15.3	20.6	24.7	17.2	—	—	—	—	—	—	—	—	—	—	—	—
Worcester, Mass.	—	54.8	—	50.5	55.6	46.4	—	31.0	—	30.3	36.7	28.3	48.0	58.3	46.3	54.5	56.7	60.0	—	—	—	—	—	—
Youngstown, Ohio	42.8	43.3	42.4	51.5	52.7	50.6	17.9	18.9	17.0	24.8	25.3	24.3	—	—	—	—	—	—	—	—	—	—	—	—
Ottawa, Ont.	—	—	—	51.7	69.0	32.1	—	—	—	18.5	59.2	14.9	—	—	—	—	—	—	—	—	—	—	—	—
Vancouver, B. C.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Victoria, B. C.	—	—	—	56.1	58.2	54.1	—	—	—	30.0	31.8	28.3	—	—	—	—	—	—	—	—	—	—	—	—

INSTALMENT ACCOUNTS receivable of department stores increased 8 per cent during November and at the end of the month were 19 per cent larger than a year earlier. Collections were 5 per cent above those in October, amounting to 20 per cent of first-of-month accounts receivable. The rate of collection on instalment accounts has shown relatively little change since late summer. Charge accounts receivable increased substantially as is customary in November, but continued somewhat below those in the corresponding period of 1948. These accounts were being repaid, on the average, somewhat more rapidly in November than in the preceding month. In comparison with a year earlier, however, some slackening has occurred in the rate of repayment. Department store sales increased seasonally in November. Both cash and charge-account sales were up about one-sixth from the preceding month while instalment sales showed a less marked rise, 7 per cent. The November 1949 volume of cash business was well below 1948 levels and charge-account sales were slightly curtailed. These declines over the year-period were offset, in part, by the expansion in instalment transactions.—Federal Reserve Board.

General Business Conditions

ALTHOUGH BUSINESS activity is still below the postwar peak and also lower than it was a year ago, it is steadily increasing and the momentum of the upswing is expected to carry the volume of trade and industry higher during the early months of the year. For the first time in eleven years, the opening rate in which the general average has not been higher than that of the beginning of the preceding year, was this year's. The volume of business as measured by financial transactions is about 4 per cent lower, but all this change represents price variations rather than a reduction in the physical volume of goods. Goods are moving into the hands of consumers at a rate not far from the peak. Relative stability at this high rate is likely to be the predominant characteristic of business at least during the first part of the year and possibly longer. No major weaknesses have yet appeared to reverse the trend.

The variations in business conditions among different parts of the country have changed but little during the last month. General activity and volume of trade in the industrial areas still show the effects of the strikes in the coal and steel industries although most recent reports indicate that recovery is taking place quite rapidly. That probable improvement is likely to be reflected in the LaSalle Map next month, but it is too recent to be measured now.

The most significant change indicated on the Map is the improvement in conditions throughout the New England states. The volume of trade and industry there has held up better than in most other sections. Business is comparatively good along nearly all the Atlantic area and in a few places is even higher than it was a year ago. In most of these regions the rate of production in the consumer goods industries has continued at very high levels without the interruptions which caused the rate of production in the industries making durable goods and heavy machinery or equipment to decline.

Business has been lagging somewhat in sections of the South, especially in those areas where industry is a significant part of total activity. In other parts of the South, however, conditions are above the national average. Crops have been good and prices have remained high enough to maintain farm income at a high level. The winter tourist trade is also a favorable factor, although some reports indicate that spending is not quite so liberal as it has been in recent years.

In the Southwest and in parts of the Middle West, activity has been holding up well. The decline in farm income has not greatly affected the total volume of trade. Particularly striking is the continued good showing made in Texas where a number of factors have combined to sustain the high level of activity. Conditions have become somewhat less favorable, however, throughout the Mountain states.

Along the Pacific Coast activity is lagging, but there has been some improvement in recent weeks in both the extreme north and southern parts of California. In other areas, trade is lagging below the national average, as compared with last year. Some of this change is due to the fact that business in these places was unusually high a year ago.

Business in Canada has been making a somewhat better showing than in the United States. Industrial activity is about 3 per cent higher than it was a year ago and is very close to the postwar peak. Interruptions in production have been limited to only a few plants and demand from consumers remains strong enough to sustain a very high level of output. Agricultural conditions have been quite favorable with the larger volumes of production and marketing offsetting the decline in prices. Indications are that favorable trends in both industry and agriculture will continue throughout at least the first part of the year and possibly longer.—*Business Bulletin*, La Salle Extension University, Chicago, Ill.

Consumer Credit

CONSUMER CREDIT outstanding increased 603 million dollars in November to an estimated month-end total of 17,823 million. This rise is attributable to a continued expansion in instalment credit and a more than seasonal gain in charge accounts receivable. Instalment credit rose 288 million dollars or approximately 3 per cent during November and the amount outstanding at the end of the month was 10,450 million. This balance was 2,128 million dollars larger than on the corresponding date in 1948. The major portion of the increase during November this year was in the sale credit segment. Automobile sale credit originating at dealers showed a 4 per cent gain for the third consecutive month. Other sale credit expanded at a somewhat more rapid rate, as is customary at this time of the year, and amounted to 2,799 million at the month-end. Instalment loans expanded moderately reaching 4,556 million on November 30. Charge account indebtedness, which usually expands sharply in the final months of the year, increased 8 per cent in November to a total of 3,454 million. However, accounts receivable at the end of the month were 3 per cent, or 103 million dollars, below the amount outstanding a year earlier.—Federal Reserve Board.

Retail Furniture Report

RETAIL FURNITURE store sales increased 4 per cent in November when some expansion is usual. Sales of all types were in larger volume than a month earlier with the increases ranging from 3 per cent for charge-account business to 6 per cent for instalment and 7 per cent for cash transactions. Instalment sales were above the year-ago level for the second consecutive month, but the increase of 9 per cent was offset by substantial reductions over the year-period in both cash and charge-account sales. Instalment accounts receivable were up 5 per cent during November and continued nearly one-fifth above the amount outstanding a year earlier. Collections on instalment accounts decreased moderately and when compared with first-of-month accounts receivable yielded a collection ratio of 11 per cent, the same as for October. In November 1948 the collection ratio was 14 per cent. Inventories, which had shown some expansion in September and October, rose 3 per cent further during November. Reductions in earlier months, however, have brought inventories well below the 1948 level. On November 30, 1948, the retail value of stocks on hand was equivalent to about four and one-half months' supply at the prevailing rate of sale but one year later it amounted to less than four months' supply.—Federal Reserve Board.

Consumer Instalment Loans

CONSUMER INSTALMENT loans outstanding at the principal lending institutions increased 1 per cent in November, about the same rate of gain as in the two preceding months. On November 30 these balances amounted to 3,632 million dollars, approximately 15 per cent more than a year ago. The volume of loans made during November was up 6 per cent from a month ago, and nearly 18 per cent from a year earlier.—Federal Reserve Board.

Retail Instalment Credit at Furniture, Household Appliance, and Jewelry Stores

INSTALMENT ACCOUNTS outstanding at furniture and household appliance stores continued to increase during November and at the end of the month were nearly one-fourth larger than a year earlier. Instalment indebtedness carried on the books of retail jewelry stores showed a somewhat smaller growth than has occurred during November of other recent years. At the month-end, however, the amount outstanding was slightly above the year-ago level. The rate of collection on instalment accounts, which frequently slackens in November at furniture and household appliance stores, was unchanged from the October figures of 11 per cent and 12 per cent, respectively. Collections on instalment accounts of jewelry stores dropped 1 point to 13 per cent of the first-of-month outstanding balances. —Federal Reserve Board.

The *Factbilt* ROUND TABLE

A page devoted to improving the mutual cooperative relationship between members of the National Retail Credit Association and the Associated Credit Bureaus of America

HAROLD A. WALLACE

"In the Middle"

LET US talk about a most important tool credit granters themselves created—your local credit bureau! Who owns these locally operated tools—are they merchant or privately owned? That's an interesting question answered by the fact that 52 per cent are privately owned and 48 per cent are merchant-owned in one way or another.

But, let me make what I think is a significant statement: Legal ownership of a credit bureau is unimportant! The relevant question is, "Who controls each local credit bureau?" Eyebrows may go up at my assumption that local bureau subscribing members control it, but without the local credit granters who furnish their credit data and buy its services, a credit bureau as we know it would soon go out of business.

A credit bureau is different from any other business—and a business it certainly is, or should be. Its principal sources of information or stock in trade, and its sale of service, are tied up with the same source! For instance, a retailer may lose a certain brand name article, or decide to change. He is not restricted; a wide choice of salable products may be had.

But—let a credit bureau have its local sources of consumer ledger credit facts cut off, and overnight instantaneous death is a certainty!

The simple structure of a credit bureau which aids you to do more business profitably is based on *service*. That's a credit bureau's only stock in trade. The degree of credit granter indifference or misconception of his part in perfecting your credit bureau tool determines the adequacy and promptness with which your local credit bureau service is supplied. Too often, lack of knowledge of the credit granter's part in making the credit bureau successful, and lack of adequate financial support and full use of the bureau, produce an underfinanced and anemic credit bureau service.

Why "In the Middle"?

Since your local credit bureau is virtually part of your business, you should know of a new bureau financing problem: Retailing, since the inception of the Fair Labor Standards act, has been exempt from compliance. This act calling for payment of certain minimums, time and a half for overtime, etc., was recently amended by the 81st Congress. The new amendments became effective January 25, 1950 . . . again exempting retailing. But, originally, and now, credit bureaus have been denied exemption—no matter what percentage of credit bureau business each actually does in interstate commerce, because (the Administrator says) they serve business institutions primarily and not consumers. Therefore, credit bureaus face real problems with increased labor costs.

Your local credit bureau's cost of doing business was probably increased automatically on January 25, because wage differentials between inexperienced and experienced workers must be maintained in every bureau. It is possible that the number of hours your credit bureau stays open may have to be reduced, thereby cutting down costly overtime.

Your bureau may have to cut costs by eliminating itemization of monthly statements used . . . or eliminating all so-called "free" service. Someone must pay for checking files which results in a negative report. This time may have to be reimbursed by a "file search" charge not previously made. Some bureaus have been *giving* their bulletins to members. They may have to charge for this service, to produce some additional income to keep their doors open.

It is not unusual for local credit granters, when faced with competition, to stay open on Saturday or other nights, and to want their credit bureau to stay open, too. Therefore, this forces the credit bureau to pay time-and-a-half wages for those hours devoted to this extra service! This may be a "fringe" service your credit bureau will have to curtail.

Your Interests Are Involved

Here is a statement from a small credit bureau in West Virginia that illustrates the financial problem many credit bureaus are facing:

"The board of control of the credit bureau will meet soon to study the association's finances and make some recommendations . . . The credit bureau can do one of three things: (1) Raise its rates substantially (perhaps as much as 30 per cent); (2) Increase its membership service use from all institutions in the community, to bring in a 30 per cent increase in revenue; (or 3) Close the credit bureau, discontinue business, and let the 'slow pays' and 'deadbeats' take charge."

In conclusion, let me suggest that you discuss this matter with your own local bureau manager. He is caught "in the middle" now—not wanting to increase your bureau service costs, yet realizing his obligation to keep the bureau functioning adequately and on a sound basis. ★★★

In The NEWS

FIGURES COMPILED by the National Industrial Conference Board show that 67 per cent of the population, or 99 million individuals in the United States, had no experience with the 1929 market crash and that 52.5 per cent, or 77 million individuals, had no experience in a world of peace.

* * *

PURCHASES OF Series E Savings Bonds since the war seem to have stabilized into a pattern in which the largest denomination certificates, those of $500.00 and $1,000.00 face value, have been contributing more to the annual dollar totals than the smaller denominations combined, according to figures compiled by the United States Treasury. However, smaller savers are still buying 46 per cent of the dollar amount of E bonds sold, and far outnumber the larger bond purchasers.

* * *

A RETAILER says he likes to know what people think of his store and service, therefore, he stages an essay contest now and then along the line of 'I like Jones's Store because—' but he is wise enough to conclude the quotation with "Here is how I think Jones's store could improve its service—" In this way the retailer learns what customers really think of his efforts as a merchant, because respondents are not required to write their names at the end of the essay.

* * *

UNITED STATES companies gave about $97 million in gifts to customers and prospects in 1949, an increase of 30 per cent over 1948.

* * *

IN 2049, according to Dr. Harold G. Moulton, the United States will be able to support 300 million people on a scale eight times better than we live today, provided our present individual enterprise system is kept intact.

* * *

A NEW PLASTIC device has been perfected enabling only the man called to hear you when you speak over the phone. Office personnel cannot hear your conversations if you speak through this gadget which is attached to the phone's mouthpiece.

* * *

THE AGRICULTURE Department reported that farmers collected about $25 billion from the sale of their products during the first 11 months of 1949. This was about 10 per cent less than the $27,850 million collected during the same period in 1948.

* * *

HENRY H. HEIMAN, Executive Manager of the National Association of Credit Men, has warned that the adoption of a pension plan could bankrupt many a business. He pointed out that social security payments at age 65 seldom amount to more than $50.00 per month. Therefore, a company putting in a pension plan now would have to provide an additional $50.00 to bring the pension figure up to $100.00. With 100 employees this means an accrued liability of $300,000 and many businesses cannot stand this extra financial drain on their operations.

* * *

THERE ARE more than eight million wage earners in the United States who received less than $1,000.00 cash income last year.

* * *

IT HAS BEEN estimated that $10 million is stolen from banks by employees each year.

* * *

TWENTY YEARS ago, all government (Federal, state and local), omitting Federal debt service, cost the average family $200.00 annually while today the bill is $1,300.00. Also, today, the average working citizen must work 61 days for government before he can take care of his own family.

* * *

WATCH FOR the companion book to 'Who's Who' entitled, 'Who Knows—and What.' The book will list experts on some 16,000 subjects—experts who cannot be traced through existing reference sources.

THE FEDERAL GOVERNMENT is spending more this year than the combined wages of a million manufacturing workers for 20 years.

* * *

CONSUMER FAMILY purchases of household furniture and furnishings during 1950 will reach a total value of $9.9 billions, according to an estimate reached by the Chamber of Commerce of the United States. The figures show that average annual per family purchases of furnishings will range from $50.00 for the income group of less that $1,000.00, to $2,800.00 for the group receiving more than $25,000.00.

* * *

NATIONAL NEWSPAPER advertising linage showed an increase in 1949 for the fifth straight year. Linage last year was 14.8 per cent greater than in 1948, according to a report prepared for the publication Advertising Agency Magazine by Media Records.

* * *

SMALL BUSINESS, as defined by the Department of Commerce, constitutes about 90 per cent of all business establishments in the country and accounts for the employment of about 45 per cent of all people engaged in business. It is also responsible for about one-third of the dollar output of all business.

* * *

TOTAL RECEIPTS for all tax-exempt organizations approached $10 billion in 1946 according to the National Industrial Conference Board. The highest receipts for the nonbusiness exempt organizations were reported by literary, library, scientific, research, educational and charitable organizations including hospitals and foundations, the total being $1,249 million.

* * *

DO NOT UNDERESTIMATE labor's role in this year's elections. Both AFL and CIO have national organizations already at work, 10 months ahead of elections, to put in office congressmen friendly to labor.

* * *

A TWENTIETH Century Fund survey says that women will probably outnumber men in the United States by about 700,000 in 1960.

* * *

PRESIDENT TRUMAN'S call for new consumer credit controls comes as no surprise to those in the field who have been watching the situation. They have been anticipating for some time that the Federal Reserve Board would start a move to revive these powers which expired with Regulation W last year.

EDITORIAL COMMENT

Do YOU Cooperate?

THIRTY-EIGHT years ago the National Retail Credit Association was organized for the purpose of bringing about closer cooperation between credit granters and improving credit conditions through education of both the credit granter and the consumer.

The objectives of the National Retail Credit Association today differ very little from those published in the January 1915, CREDIT WORLD, and listed below:

Section 1.—To bring its members throughout the United States, into closer relationship for the purpose of interchanging ideas, methods and information and to render mutual assistance.

Section 2.—To assist in the organization and successful conduct of local credit associations.

Section 3.—To promote better acquaintance and closer affiliation between the credit men, the local associations, and the rating bureaus.

Section 4.—To disseminate at regular and frequent intervals, literature bearing on the subject of retail credit.

Section 5.—To concentrate effort and thereby have at command a more powerful influence on matters of legislation and law enforcement.

These early objectives are still very much the shining goals of achievement toward which we are directing our present efforts. It is a tribute to the far-sighted men who enunciated these aims almost twoscore years ago, that they are sound and acceptable today. While great strides have been taken toward improvement of credit conditions, yet we must not allow ourselves to become complacent. There remains much to be done, and it is proper for each of us to take periodic inventory to see whether we ourselves are doing all we might in the accomplishment of the lofty purposes of the Association to which we belong.

Credit is, year by year, becoming more and more an important part of the nation's business, and we who are in the position of administering it, need the benefits and inspiration that comes from close association with our fellow workers in the field.

WHAT has been *your* contribution toward improvement in credit conditions in your city, state and nationally?

DO *you* attend the meetings of your Association regularly and do you participate in its program and other activities?

HAVE *you* helped in the organization and conduct of Credit Schools for your community?

TO what extent have you interested yourself in legislation, both local and State, and National?

ARE you familiar with the National Association's "Pay Promptly" advertising campaigns and the results?

DO you clear all new accounts through your local credit bureau, and do you report all slow-paying accounts, skips, "profit and loss" items: and in general, all derogatory information?

TO what extent have you helped to *build* your local Association, and the National, and have you contributed your share in the accomplishments of both?

HAVE you taken full advantage of your membership both in the Local and in the National? Have you attended the district meetings and the National Conferences? Have you benefited by and participated in discussions on credit matters, thus improving yourself and helping others to a better understanding of the principles of sound credit?

ARE you a consistent reader of The CREDIT WORLD and do you give the articles serious thought, in an effort to apply some of the suggestions to your own business?

HAVE you contributed to The CREDIT WORLD articles, ideas, figures, or even your comments?

WHEN asked by the Research or Educational Divisions for data, information, or cooperation, are you reasonably prompt in your reply, and do you give generously of what is sought?

We know these are searching questions, and perhaps as you score yourself, you might be surprised to find that the degree of interest and cooperation you *thought* you were giving to your professional groups not sufficient after all. If your score is high, you are indeed a worthy link in the long and golden chain of credit cooperation.

While we are considering our contribution to the profession at large, we should also assess our contribution to the firm that engages our services.

IN the operation of your department, in the handling of your customers and your personnel, in the promotion of new charge business, in the collection of accounts, has your work been sufficiently outstanding to qualify you as "Manager of Credit Sales"?

HAVE you taken advantage of every opportunity for personal improvement, using it as a stepping-stone to the position ahead?

ARE you regarded as one of the executives of the store (you should be) and are you consulted on matters relating to the credit policies of your store? Do you initiate such policies? Are you making the most of the power of credit for your store's success?

If you are doing these things, you are indeed a Manager of Credit Sales. If not, start now to accomplish that end. Be promotional minded, courteous, diplomatic, energetic, systematic, and above all, cooperative. Cooperation is the wonderful lubricant which makes the entire machine work smoothly and easily. Cooperation makes the team strong.

Should it be necessary for you to voice your opposition to unsound credit policies and practices, or any activity of your department, do so fearlessly.

Be a cooperative and loyal local and National Association member and give generously of your time and efforts for the betterment of credit management in general. *Be a good executive of your firm, assist wholeheartedly in its success and your progress will be assured.*

L. S. Crowder
General Manager-Treasurer